Annual Report 2005/2006

Some people don't play by the rules

In business, just like in sport, you have to protect yourself against fouls and against unpleasant surprises that have serious consequences. After all, not everyone sticks to the rules of the game. You could quickly lose your competitive advantages. Utimaco's security solutions can protect all your electronic data, and the assets it represents, against loss, misuse and manipulation. They ensure that "fair play" will always be the winner, even in business.

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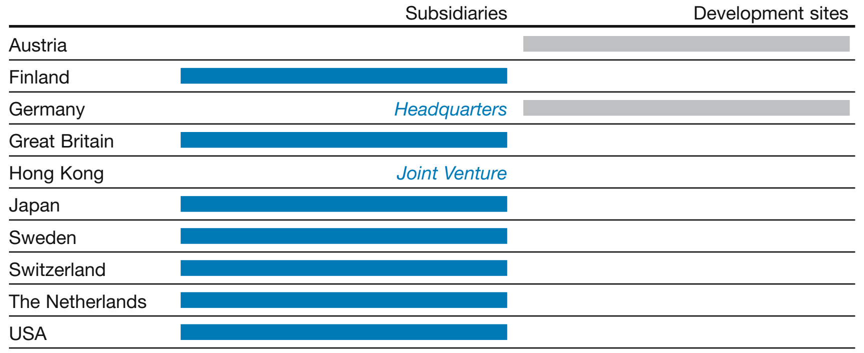
Content

Overview of Key Figures

€ million	2005/2006	2004/2005
Revenues	41.7	34.8
Cost of Sales	-7.3	-6.5
EBITDA	9.7	6.6
EBIT	8.9	5.9
Net profit	8.0	6.0
Earnings per share (in acc. with IAS) – undiluted (in €)	0.55	0.42
Earnings per share (in acc. with IAS) – diluted (in €)	0.53	0.41
Total assets	51.0	40.5
Equity	36.0	28.0
Operating cash-flow (in acc. with IAS)	11.4	6.4
Employees (average over the year)	239	213

Utimaco Group



Utimaco Safeware AG – The Data Security Company.

Utimaco is a world leading producer of professional solutions that secure data within companies and government agencies. The solutions, which have won multiple awards, protect data against unauthorized access and manipulation no matter where it's stored – on mobile personal devices, PCs or in networks. SafeGuard® Easy, with more than three million installations, is the best selling worldwide solution for protecting data on notebooks and PCs. Utimaco is also a leader in electronic transaction protections. In Germany, for example, Utimaco solutions secure over 90 percent of all card-based payment systems. Utimaco offers its customers comprehensive on site support via a worldwide network of partners and subsidiaries in Europe, the USA and Japan. Utimaco Safeware AG, with headquarters in Oberursel, near Frankfurt, Germany, is listed on the Frankfurt Stock Exchange (ISIN DE0007572406). For more information, visit our website at www.utimaco.com

Annual Report 2005/2006

utimaco
safeware

Foreword by the Management Board

In the past fiscal year Utimaco has once again achieved a considerable increase in its revenue and result. The region Americas (USA, South America and Canada) witnessed very pleasing developments, with revenues more than doubled compared to last year. We were able to win many orders because we can offer a wide-ranging, integrated product portfolio for data security instead of one-off solutions. We intend to make even greater use of the broad product range offered by our portfolio, in future, to boost our competitive advantage as "The Data Security Company" even more. Our aim for the next fiscal year is to sustainably continue our growth. "When SafeGuard Enterprise is launched in the market in the first quarter of 2007, this will also bring to an end the positive effect on earnings caused by the capitalization of self-developed software. However the company expects stable profitability for fiscal year 2006/2007.

Dear shareholders, friends and business partners of Utimaco,

We can look back on a successful fiscal year in which we succeeded in winning major customers, who chose Utimaco's security solutions for the first time. We were able to win many orders because we can offer a wide-ranging, integrated product portfolio for data security instead of one-off solutions. Our range of solutions covers the protection of data when it is stored, transferred and used in business processes. Our solutions strategy meets our customers' growing demands for comprehensive protection of corporate electronic assets against misuse and manipulation. As "The Data Security Company" we enable our customers to use modern business processes securely, and to meet the increasing legal requirements for data security.

Our strategy of growing profitably in this market was also successful in the fiscal year 2005/2006. Our revenue grew by around 20%, compared to the previous year, to € 41.7 million, and our operating result improved by around 50% to € 8.9 million. The region Germany grew on a high level by 12%. The largest single order in this region equalled € 2.6 million for the supply of our CryptoServer security modules to a European toll consortium. Growth in revenues in European countries outside Germany, of 4%, lay below expectations, but nevertheless, we did acquire new customers with great potential in this region, via our sales partners. Results from the Americas region were greatly improved: this region saw its revenue more than double, to € 6.7 million. Consequently, the share of total revenues contributed by this region rose from 9% in the previous year to 16%. Due to the increasing legal demands for improvements in data security in the USA, we expect this region to continue to show strong growth in the future. We laid the foundations for entering the Japanese market by opening our branch in Yokohama in September 2005.

We had further successes in boosting our consistent strategy of indirect sales via OEM partners and resellers. For example, we were able to sustainably extend our world-wide cooperation with Lenovo, the Chinese PC manufacturer, which acquired IBM's PC division in 2005, and with it IBM's reseller contract with Utimaco. We won large orders for our security solutions via Lenovo, especially in the USA. We aim to continue building on this partnership, to profit even more from Lenovo's high market penetration in other regions in the future.

Our OEM partnership with Atos Origin was extended to its subsidiary, Atos Worldline, that will sell our security module CryptoServer in combination with Atos's Electronic Payment solutions across Europe. In addition, Atos Worldline will integrate our SignatureServer, used for creating mass signatures, in its "POSEIDON" platform. This platform is used for securely processing electronic invoices, in a legally compliant way. Atos Worldline will sell it to customers both as a service and as a product.

We also further extended our sales partnerships with telecommunications service suppliers in the area of "Lawful Interception Management Systems" (LIMS). With our solutions for the legally-compliant monitoring of telecommunications services, we are currently being recommended as a Cisco Preferred Supplier by a leading router manufacturer in the growing market for IP-based telecommunications services. In future, Siemens, our OEM partner, will also sell the CryptoServer security module for protecting subscriber data in mobile telephony networks, on a worldwide basis, besides LIMS.

We have also further extended our technology partnerships, especially our cooperation with Microsoft. For example, Microsoft selected Utimaco as a founding member of the SecureIT Alliance. The objective of this initiative is to optimize the security solutions produced by leading manufacturers to maximize protection for IT infrastructures under Windows operating systems. With our Gold Partner Status we have reached the highest level in Microsoft's partner program.

We have once again extended our comprehensive portfolio of solutions for data security and further developed them to meet future market requirements. Our client portfolio, for securing data when it is stored on end devices, mobile data media and servers, now secures all the major platforms currently in professional use, such as Windows, Windows Mobile, Symbian and Palm OS. At CeBIT we presented the prototype of our new product generation, SafeGuard Enterprise. It bundles the security functions provided in separate Utimaco products into an integrated suite with a central management system. We have further developed our server and gateway solutions, for securing data when it is being transferred and used in business processes, into products, in important areas.

In the fiscal year 2006/2007 we intend to extend our technology and sales partnerships, concentrate our focus on aggressively developing the market in the USA, and make the necessary arrangements for a successful market entry in Japan. In all these situations we shall make even greater use of the broad product range of our portfolio, in future, to boost our competitive advantage. In the area of Research and Development we are concentrating our efforts on the market launch for our new product generation, SafeGuard Enterprise. Our aim for the next fiscal year is to sustainably continue our growth. When SafeGuard Enterprise is launched in the market in the first quarter of 2007, this will also bring to an end the positive effect on earnings caused by the capitalization of self-developed software. However the company expects stable profitability for fiscal year 2006/2007. On the basis of the company's good profit situation and positive cash flow, the Management Board and Supervisory Board will propose a dividend of 15 Eurocents per share at the General Meeting for fiscal year 2005/2006.

We would like to thank our staff for their active involvement and our customers, shareholders and investors for the confidence they have shown in us.

Dipl.-Wirtsch.-Ing. Christian Bohne
Chief Financial Officer

Dipl.-Phys. Martin Wülfert
Chairman of the Management Board

Stop not hop

Every year companies can reckon with losing more than 5% of their notebooks to thieves. Utimaco's security solutions protect the data stored on devices, even if they are lost or stolen, and ensure that no-one can use a stolen notebook to gain unauthorized access to the corporate network.


ADAMS

Data security – open IT infrastructures are a news challenge for IT security

The world of business has seen some radical changes in the last few years. Companies are increasingly defining their processes in collaboration with customers and organizing these processes across companies. The consequence is open IT-infrastructures and, at the same time, a growing risk that data, that was previously well protected, might fall into the wrong hands. Utimaco is well equipped to meet these new challenges to IT security: We have a comprehensive product portfolio that protects data against unauthorized access, misuse and manipulation. Our solutions enable our customers to use modern business processes securely, and to meet the increasing legal requirements for data security.

In the past, IT security was almost exclusively directed at protecting corporate networks against attacks from outside. It was based on the principle of allowing "good" people to come in, while keeping "bad" people out. In recent years the world of business has seen a fundamental change. Companies are increasingly defining their processes in collaboration with customers and business partners. Consequently, more and more business processes are organized across companies and transferred to specialized service providers, in many areas.

The result is open IT infrastructures that involve ever more networking and increasing mobility. In this environment, it is harder to say who is "good" and who is "bad". At the same time, the risk that data, that was previously well protected, might fall into the wrong hands, is growing. If the worst happens, and data is lost, it is not only a company's image that suffers: there is also the threat of high costs resulting from increasingly severe legal sanctions. Between January 2005 and August 2006, 277 organizations in the USA had to report the loss of personal data due to IT security gaps – and these included 21 TOP Fortune 500 companies. A total of around 91 million customer data records were involved. The companies affected estimated the average resulting costs for investigations, legal proceedings, fines, and informing and then supporting customers, at $ 140 per customer data record. And this does not even include the opportunity costs involved in the loss of future business.

In this situation, leading market research companies see a paradigm change in the approach to IT security. This shift means that, in future, companies will increasingly focus on the new risks arising from open IT infrastructures. Instead of scrapping the corporate network, data security will be hauled under the spotlight, especially where it is most in danger today and in the future: on end devices and mobile data media, on servers, when it is being exchanged with business partners, and when it is being used in business-critical processes.

Utimaco is well equipped to meet these new challenges. We have a comprehensive product portfolio that includes client, gateway and server solutions for protecting data against unauthorized access, misuse and manipulation. Our solutions protect data on end devices, mobile data media and servers, and also when it is being transferred and used in business processes. Thus, we enable our customers to use modern business processes securely, and to meet the increasing legal requirements for data security.

Protection for data on end devices and mobile data media

Sensitive data on notebooks, PDAs and smartphones is not properly protected against unauthorized access if the devices are lost or stolen. Even the saved data that is used to access the corporate network represents a security risk. According to estimates from experts, companies lose more than 5% of their notebooks through theft, every year. Utimaco's security solutions ensure that data on end devices and mobile data media remains confidential. Its scalable product portfolio for all professional platforms provides comprehensive security for mobile infrastructures. Utimaco has been positioned in the 'Leaders Quadrant' of this year's Gartner study "Magic Quadrant for Mobile Data Protection, 1H06" (John Girard and Ray Wagner, 29th August 2006). We feel that this positioning shows the success of our 'Ability to Execute' and 'Completeness of Vision'. In addition, we believe this well-balanced combination is fuelled by our strong vision as a supplier in the mobile data security market.

Protection for data against insiders

Attacks on data security by insiders often remain undiscovered, but present an ever greater risk. Staff can save any data that they can access while working to MP3 players or USB sticks, and then sneak it out of well-protected networks, unnoticed. These devices now have a memory capacity of up to 60 GB, which is about the same as 3 million text pages. In a study by the CSI/FBI, 39% of respondent companies estimated that more than 20% of all targeted attacks on data security are by insiders. Utimaco's security solutions can be used to prevent data being exported from networks. Even when help desk or maintenance tasks are outsourced to IT service providers, Utimaco's solutions ensure that sensitive data remains confidential.

Securing data exchange

E-mails are among the most frequently used applications in commercial traffic. It is not unusual for them to also contain strictly confidential data, which can be read at any time in insecure networks. In addition, e-mails can easily be forged, so that no-one can be really sure whether the sender name and contents are reliable. Utimaco's gateway-based security solutions can be used to safeguard all of a company's e-mail traffic, at one central location, both efficiently and cost-effectively. Thus, security guidelines can be implemented consistently and without user involvement, even for email communication.

Securing data in business-critical applications

The increasing digitization of business processes has resulted in a multitude of IT applications that need especially high levels of security. They include, for example, document management and archiving solutions, toll systems, electronic payment systems and electronic invoicing. At the core of the security requirements for these applications is the generation, storage and use of cryptographic keys. Utimaco's server- and gateway-based security solutions ensure that key management is secure, and enable the use of high-performance cryptographic procedures.

About the Magic Quadrant

The Magic Quadrant is copyrighted 29th August 2006 by Gartner, Inc. and is reused with permission. The Magic Quadrant is a graphical representation of a marketplace at and for a specific time period. It depicts Gartner's analysis of how certain vendors measure against criteria for that marketplace, as defined by Gartner. Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant, and does not advise technology users to select only those vendors placed in the "Leaders" quadrant. The Magic Quadrant is intended solely as a research tool, and is not meant to be a specific guide to action. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

Originals, not forgeries

You could say that the data you send by e-mail has about the same level of “security” as a postcard, i.e. it is a long way from being confidential. You also have no way of being sure if you can trust either the contents or the sender. With Utimaco's gateway-based security solutions you can safeguard all your company's e-mail traffic, at one central location, both efficiently and cost-effectively.


BELL

Portfolio of solutions – secure storage, transfer and use of data in business processes

Utimaco's security solutions protect data against unauthorized access and manipulation. Our portfolio includes solutions for securing data when it is stored on end devices, mobile data media and servers, and when it is being exchanged with business partners or used in business processes. Many of our customers have implemented several of our solutions, to protect their data against external and internal attacks.

We supply companies and government bodies with a comprehensive portfolio of solutions for protecting their business-critical data against misuse and manipulation. This enables our customers to implement their own security guidelines efficiently, across their organization, consistently meet the security requirements of their business partners, and comply with increasingly strict legal requirements.

Our client portfolio, for securing data when it is stored on end devices, mobile data media and servers, secures all important professionally used platforms such as Windows, Windows Mobile, Symbian and Palm OS. Our new product generation, SafeGuard Enterprise, will bundle the security functions provided by separate Utimaco solutions into an integrated suite with a central management system. Many companies successfully use our server and gateway solutions for securing their data when it is being transferred and used in business processes.

American automobile manufacturer uses Utimaco solutions to protect its data on PCs, PDAs and servers

For many companies, securing their sensitive data against unauthorized access or espionage is an important competitive factor. If design data falls into the wrong hands, many years of research and development work can quickly be rendered useless. Marketing plans, terms set with suppliers, and customer data, are also business-critical information that must be protected against theft and misuse. The automobile manufacturing group chose Utimaco's security solutions to protect these kinds of sensitive data across the board. The decisive factor was Utimaco's wide product portfolio of client, server and gateway solutions. In addition to protecting data on end devices such as notebooks and PDAs, these solutions can also be used to protect security-critical data on servers against unauthorized access. This in turn makes it possible to implement measures to meet legal requirements relating to the processing of financial data, while also providing protection against espionage attacks from insiders. Another requirement was to secure data exchange by e-mail and mobile data media. Here too, Utimaco has been able to offer scalable client and gateway solutions that provide extensive protection for data when it is being transferred. The automobile manufacturing group uses Utimaco's hardware security modules to securely storage and use particularly sensitive information such as the master key for restoring encrypted data and resetting passwords.

Leading German chemicals group secures its e-mail communication across the board with Utimaco's gateway solution

E-mails are nowadays an established feature of commercial traffic, and often contain highly business-critical information. When they are sent over open networks, such as the Internet, they provide about as much "security" as a postcard, which can be read by absolutely anyone. In addition, a recipient can never be entirely sure whether an e-mail's sender, or its contents, are really genuine. To neutralize these risks to its e-mail communication, the chemicals group has implemented a gateway solution from Utimaco to secure its e-mail traffic across the board. Outgoing e-mails are automatically encrypted and signed at a central point in the company before being sent out. When the recipient gets an e-mail, its signature is checked, and the contents decrypted, either via an appropriate gateway solution or with any e-mail client that supports current security standards. In this secured environment, the group's staff can also exchange information from the research, finance or patents departments by e-mail with service providers such as qualified auditors, lawyers and research institutes. In addition to this, the group also uses one of Utimaco's solutions to secure data when it is stored on servers. Consequently, sensitive data can only be accessed personally or by a small, restricted group of users. These security measures enabled the group to implement in-house rules for protecting its data in important areas, and also to comply with legal regulations such as the Sarbanes-Oxley Act (concerning financial data protection) and the German KontraG (risk management) law.

European country secures its electronic legal documents archive with Utimaco hardware security module

The electronic archiving of legal documents from notaries places particularly high demands on data security, which are also legally regulated. Legal documents must have a proof of genuineness, traditionally a seal and a hand-written signature. In many cases (such as wills), they must remain strictly confidential and usually be available for a long period of time. To handle these security requirements electronically, the central archiving system, which every notary can access from anywhere in the country, uses Utimaco's hardware security modules. Within the archiving system these modules use cryptographic keys to check the genuiness and integrity of legal documents. In addition they ensure that legal documents are stored confidentially in the computing centre and that only authorized people can access a legal document, view it, edit or delete it. In this way, they can be certain that, over the entire lifecycle of a legal document, no-one can access or change it without authorization. The integration of Utimaco's hardware security modules in the documents workflow guarantees that the high security demands made on the archiving system are fulfilled in a legally-compliant way.

Praise, not shame

Risk prevention is a legal obligation for stock corporations. This includes protection against internal IT risks, for which the management is responsible, up to and including personal liability. Utimaco's security solutions help companies with much more than simply meeting the legal requirements for data security.

Our staff – agents of our success

In the past fiscal year we once again increased our staff numbers. They were mainly recruited for the Sales and Marketing, and Research and Development, departments. Outside Germany, the focus lay on North America, where we increased our staff considerably, with additional positions in the pipeline, to help further boost our strong growth in this region.

The IT sector is typified by rapid innovation cycles, increasing complexity and competition on a global scale. For these reasons, speed, expertise and innovativeness are some of the most important factors in an international IT company's ability to compete. Our leading position in the market for data security solutions, and our good results in the past fiscal year, show that, through our staff, we are well prepared to meet these challenges. The success of our business is due to their efforts and commitment. The contribution made by our staff to our positive business development was one of the reasons for another considerable increase in the value of our company in the past fiscal year.

Corporate culture based on performance and appreciating value

To ensure that we can consistently continue our successful progress, competing on an international basis, we have established a corporate culture based on performance and appreciating value. We demand, support and reward willingness to perform well through modern staff development methods such as goal agreements, development discussions, performance-based variable remuneration schemes, and also technical and management training. We expect staff at all levels to keep the good of the company in mind, and for this to be shown by them taking the initiative, and acting for the benefit of the customer and market.

To build even stronger ties between selected management and specialists and the company, it was agreed at the General Meeting 2005 to issue an authorizes capital to finance a share option scheme for a maximum of 10% of staff.

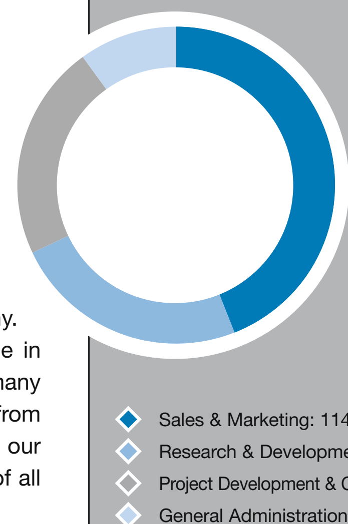
Staff recruitment to meet strategic requirements

To continue our successful growth in our global market we have once again recruited even more staff. For this reason, in the past fiscal year, we increased our staff numbers by 17%, to 260 (previous year: 223). During the fiscal 2005/2006 year the average number of staff employed was 239 (previous year: 213). We recruited the majority of new employees in sites outside Germany. Outside Germany staff numbers rose by 27% to 95 (previous year: 75), while in Germany staff numbers rose by 11% to 165 (previous year: 148). Outside Germany we focused on North America, where we increased our number of employees from 10 to 18 with additional positions in the pipeline so that we can drive forward our growth in this region. In total, staff employed outside Germany equalled 37% of all staff (previous year: 33%).

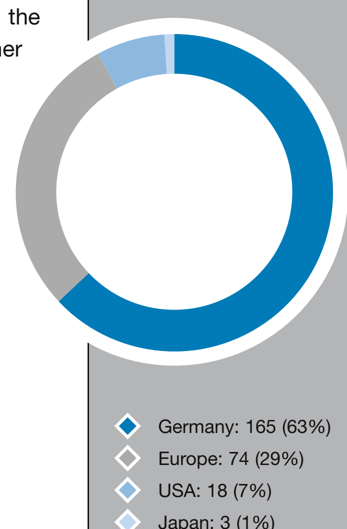
The main aims in expanding our workforce were to strengthen our Sales and Marketing and Research and Development departments. In Sales and Marketing staff numbers rose by 23% to 114. In addition to building up the sales teams outside Germany and setting up new sales organizations in Japan and Austria, we also created new posts in channel marketing, market research, and for supporting important strategic OEM and technology partnerships.

In Research & Development, staff numbers (including developers employed in the project business) rose by 16% to 110, creating the necessary basis for further speeding up our product development.

Staff by function to June 30, 2006



Staff by region on June 30, 2006



Signed and sealed, not an open letter

Data security is usually achieved using cryptographic processes. They encrypt the data to ensure it remains confidential, and use digital signatures to protect against manipulation. Utimaco enables you to use reliable cryptographic procedures in your applications and guarantees secure key management.

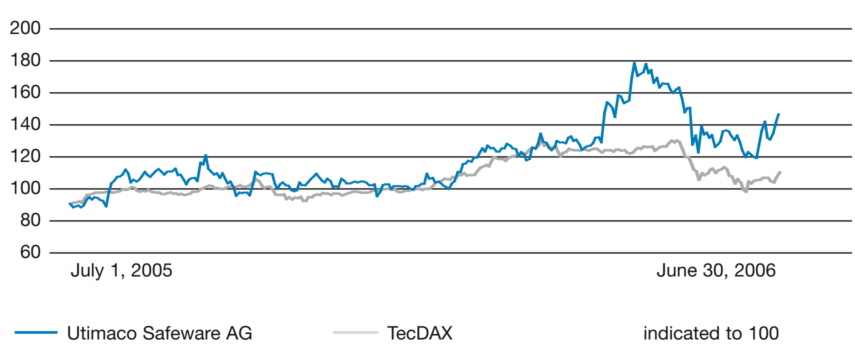
The share – investor base widened while liquidity increased

The Utimaco share once again showed a strong growth in value in the previous fiscal year. The average daily trading volume once again saw a considerable improvement. Deutsche Bank, equinet and Warburg/SES, continued their coverage of Utimaco in the reporting period and confirmed their recommendations to buy the Utimaco share. We succeeded in our aim for the past fiscal year to bring Utimaco to the attention of additional investors from other European countries by increasing our communication with the international capital market. This enabled us to win new institutional investors in European countries outside Germany, and in the USA.

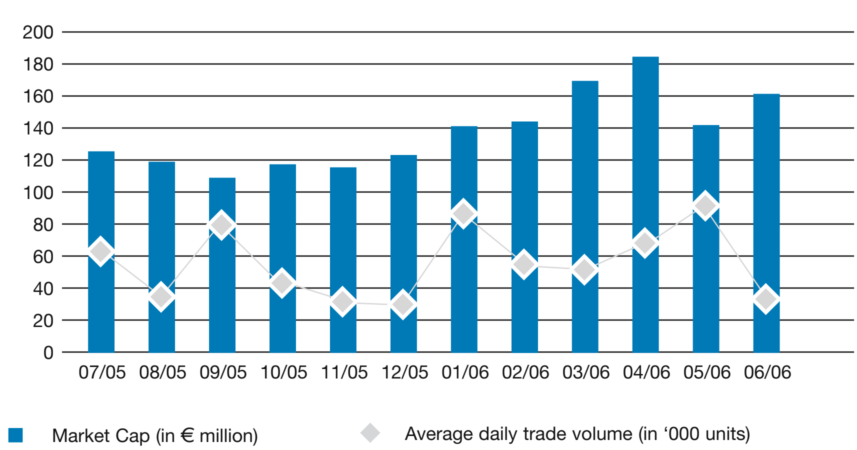
The positive development in Utimaco's share value also continued in the fiscal year 2005/2006. While the German shares market as a whole showed positive growth, in the reporting period, our shareholders and investors benefited from a surpassing growth in the value of their Utimaco shares of around 56% (compared with TecDAX: 19%). The liquidity of our share – an important criterion for decision-making, for institutional investors – has also clearly increased once again. For example, the daily trading volume of the Utimaco share rose by 49%, to 56,858 single shares, compared to the same period in the previous year.

As a result of the takeover of the shares held by Investcorp by several fund managers, and the sale of shares by the Horst Görtz foundation, the number of shares held by minority shareholders (free float) rose from 77% of the share capital to 100%. In the reporting period, the stock market value of the company rose from € 104 million to € 162 million.

Developments in share values:



Market capitalization and liquidity:



More institutional investors won inside and outside Germany

In fiscal year 2005/2006 we increased our communication with the international capital market even more. Our emphasis here was on European countries outside Germany, with roadshows in London, Paris, Geneva, Zürich, Copenhagen, Stockholm and Vienna, under the management of our supporting banks, equinet, Deutsche Bank and Warburg/SES. These three banks continued their coverage of Utimaco in the reporting period and confirmed their recommendations to buy the Utimaco share that they had made in the previous year.

In addition, the management presented the company's business model, and its outlook for the future, at five conferences for analysts in Frankfurt, Hanover and London. At these conferences, 23 individual meetings were held with analysts and portfolio managers from Germany and other countries. The company's quarterly results and progress in achieving its strategy were discussed with institutional investors in telephone conferences.

At the end of the reporting period, these investors each held over 5% of Utimaco's share capital: Deutsche Bank, Cominvest, Universal-Investment-Gesellschaft and the American FMR Corporation (Fidelity Management & Research Corporation), which we gained as a new investor. In addition to Fidelity, Julius Bär and Robur Fonder AB, the investment management company of the Swedish savings bank (SwedBank), fund managers from the UK and France were also invested in Utimaco at the end of the reporting period.

In fiscal year 2005/2006 we succeeded in increasing awareness of the company on the international capital market, built up our relationship with existing investors, and also won new investors in European countries outside Germany, and in the USA. In the current fiscal year we aim to further extend our investor base of fund managers, asset managers, and in private banking, and to win more banking institutions to take up coverage of Utimaco.

Key figures for the Utimaco share

	2005/2006	2004/2005
Maximum value of the Utimaco share (€)	13.20	6.87
Lowest value of the Utimaco share (€)	6.90	2.36
Year-end share value (€)	10.97	6.68
Average traded shares/day	56,858	38,175
No. of shares undiluted	14,745,449	14,726,064
No. of shares diluted	15,225,449	14,745,449
Weighted no. of shares undiluted	14,732,596	14,386,421
Weighted no. of shares diluted	15,174,600	14,745,449
Profit per share in acc. with IAS undiluted (€)	0.55	0.42
Profit per share in acc. with IAS diluted (€)	0.53	0.41
Total return on shares	55%	84%

Mine, not yours

Attacks on electronically saved data and the assets it represents often go undetected. This is particularly true when the attacks come from your own side. Even large quantities of data can be siphoned off quickly and unnoticed from well-protected networks on, for example, MP3 players or USB sticks. Utimaco's security solutions can also prevent data theft by your own members of staff.

Consolidated Financial Report for the Fiscal Year 2005/2006

Framework Conditions and Business Development

Leading market research companies have identified a paradigm shift in the subject of IT security. As a result, companies will focus their future efforts more sharply on the new risks posed by open IT infrastructures. Instead of scrapping corporate network components, the focus will move to securing data, especially in those areas where it is most vulnerable, both at present and in the future: on end devices and mobile data media, servers, during data exchange with business partners, and when it is used in business processes.

It is precisely these points that are covered by Utimaco's core business activities. Utimaco has an extensive product portfolio of client, gateway and server solutions that protects data against unauthorized access, misuse and manipulation. Utimaco's solutions safeguard sensitive data, no matter where it is stored or used. In this way Utimaco enables its customers not only to use the latest IT tools in complete safety, to improve efficiency, but also to meet the increased legal demands for data security.

Against this backdrop Utimaco has been able to continue its positive business development with a significant increase in revenue and results in the fiscal year 2005/2006.

Revenues grew by 19.8% in comparison with the previous year to € 41.7 million. The region Germany grew on a high level by 11.5%. Growth in revenues in European countries outside Germany, of 3.8%, lay below expectations, but nevertheless, we did acquire new customers with great potential in this region, via our sales partners. Results from the Americas region were greatly improved: this region saw its revenue more than double, to € 6.7 million. The opening of a new branch in Yokohama in September 2005 laid the foundations for expansion into the Japanese market.

In the year under review, the portfolio of solutions for data security was further expanded and developed to meet future market requirements. Our client portfolio, for securing data when it is stored on end devices, mobile data media and servers, now secures all the major platforms currently in professional use, such as Windows, Windows Mobile, Symbian and Palm OS. The first prototype of the new SafeGuard Enterprise product generation was launched at CeBIT 2006. This bundles all the security functions of the currently separate Utimaco products into a centrally-managed integrated suite. The server and gateway solutions used to secure data while it is being transferred or processed by business-critical operations have been further developed into products that are suitable for sale via OEMs. Consequently, the research and development costs in the year under review formed a major part of expenditure and, at € 6.5 million, were clearly higher than in the previous year (€ 4.6 million). Of this expenditure, € 3.9 million was due to developing new products (previous year: € 900,000) which was capitalized in accordance with IAS 38, with a positive effect on earnings.

The improvement in income from software capitalization led to an increase in operating costs (research and development costs, sales and marketing costs, and general administration costs) of 13.4% which is less than the growth in revenues of 19.8%. Therefore the result from usual business activity in fiscal year 2005/2006 increased by almost 50% to € 8.8 million.

Due to positive business development in fiscal year 2005/2006, cash reserves rose by € 6.9 million to € 29.2 million. As a result, on the balance sheet date, Utimaco has available considerable financial resources that form a solid basis for continued successful growth in the future.

Changes in revenue and results: Personal Device Security

The Personal Device Security division develops, markets and sells professional software security products for protecting data against unauthorized access and manipulation on end devices (such as desktops, notebooks, PDAs and smartphones), and in networks.

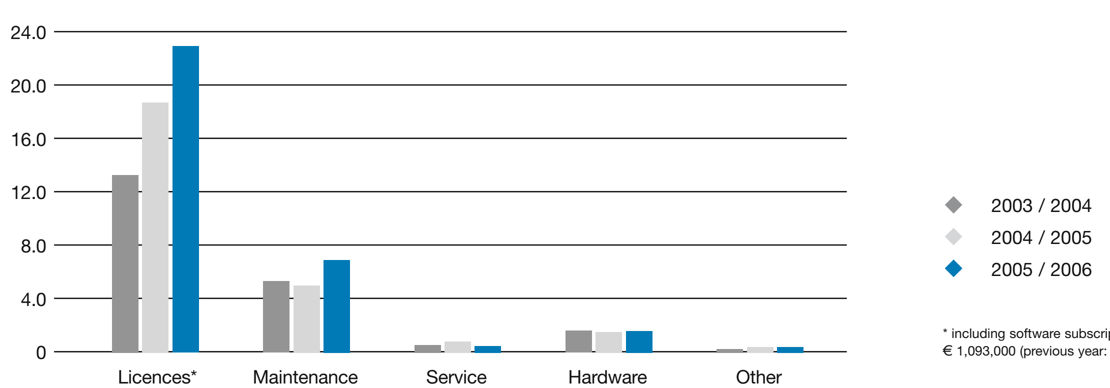
In the last fiscal year, business in the Personal Device Security division once again showed a pleasing 22.2% increase in revenues to € 32.642 million (previous year: 26.707 million).

This was due to a growth in revenue from licenses of 22.6% to € 23.303 million (previous year: € 19.014 million), and revenues from maintenance and support services which increased by 38.1% to € 6.985 million (previous year: € 5.056 million). In total the revenues achieved with the SafeGuard product family (licenses and maintenance) rose by 25.8% to € 30.288 million (previous year: € 24.070 million). The contribution made to total revenues by SafeGuard products in the Personal Device Security division was 92.8% (previous year: 90.1%).

Net sales from hardware equalled € 1.572 million (previous year: € 1.512 million) remaining at a similar level to the previous year. In the reporting period, revenues from the provision of services and other net sales fell from € 1.123 million to € 783,000.

Personal Device Security

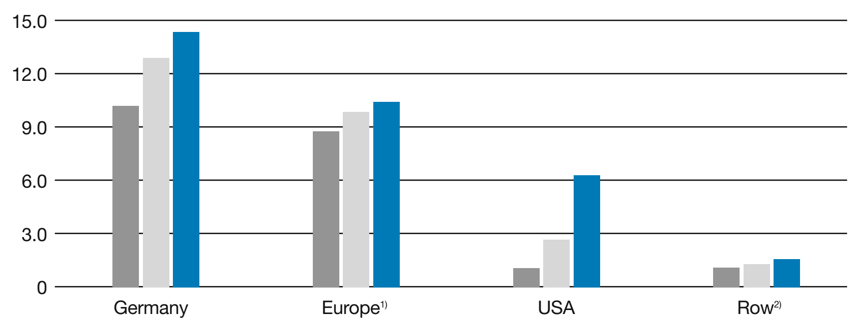
Sales by product groups (in € million)



* including software subscription worth € 1,093,000 (previous year: € 514,000)

The Personal Device Security division grew in every region. In the domestic market (Germany) new heights were reached with a revenue increase of 11.2% to € 14.367 million (previous year: € 12.915 million).

Personal Device Security
Sales by region (in € million)

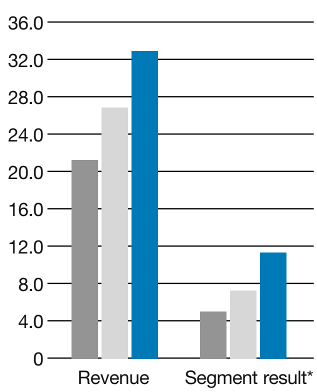


2003 / 2004
2004 / 2005
2005 / 2006

1) excluding Germany
2) Rest of world

In Europe outside Germany the rate of increase of 5.8% was less than expected. In the year under review, revenues of € 10.429 million (previous year: € 9.857 million) were achieved in this region.

Personal Device Security
Sales and segment result*
(in € million)



2003 / 2004
2004 / 2005
2005 / 2006

* including revenues and expenses between the segments

In contrast, sales of SafeGuard products in the America region in the reporting year were particularly pleasing, with revenues of € 6.299 million (previous year: € 2.656 million). With an increase rate of 137.2% revenues more than doubled for the second year in a row. With the revenues achieved in fiscal year 2005/2006 as a starting point, the aim remains unchanged: to continue sustained and significant growth in the American market.

The proportion of revenues earned outside Germany increased in comparison with the previous year from 51.6% to 56.0%.

Due to strong growth in the highly-profitable license business and as a result of the noticeably higher capitalization of software created by the company itself, in accordance with IAS 38, worth € 3.885 million (previous year: € 902,000) the segment result improved by more than 60% to € 11.672 million (previous year: € 7.31 million). The percentage return on sales of the Personal Device Security division consequently equalled 35.8% before central costs were apportioned (previous year: 27.4%).

Changes in revenue and results: Transaction Security

The Transaction Security division develops security solutions for reliable digital business processes. The technologies used here include security gateways, digital signatures, telecommunications management systems, and hardware security modules, which provide optimum protection for cryptographic services within a secure hardware environment.

In the last fiscal year the Transaction Security division achieved sales worth € 9.772 million (previous year: € 8.812 million). This corresponds to an increase of 10.9%. These sales revenues include internal revenues worth € 762,000 (previous year:

€ 740,000). Hardware revenues, in particular those from the CryptoServer, more than doubled in the reporting period from € 1.146 million to € 3.993 million. This jump in revenues was due to a large order worth € 2.6 million, which involved supplying the CryptoServer security module to a European toll system.

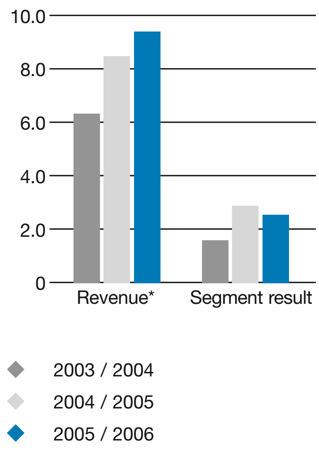
However, license sales saw a fall of 29.0% to € 2.98 million, which was mainly due to a slowdown in business with telecoms management systems when compared with the same period in the previous year.

Transaction Security sells its customer-specific security solutions primarily to end users and technology partners based in the domestic market (Germany). Even if the technology partners frequently implement the Transaction Security division's solution components world-wide, at end customers, in big infrastructure projects, the majority of the revenue is invoiced to customers based in Germany. Revenues created in Germany amounted to 92.3% of total turnover (previous year: 92.1%).

Despite an increase in sales, this division was unable to repeat its excellent results of the previous year and only achieved a segment contribution of € 2.599 million (previous year: € 2.976 million). This fall in results was due to a slightly lower gross margin of 86.2% (previous year: 88.0%) resulting from a changed product mix combined with an increase in operating costs.

The percentage return on sales of the Transaction Security division equalled 26.6% before central costs were apportioned (previous year: 33.8%).

Transaction Security
Sales* and segment result
(in € million)



*including internal revenues worth € 762,000 (previous year: € 740,000)

Profits trend

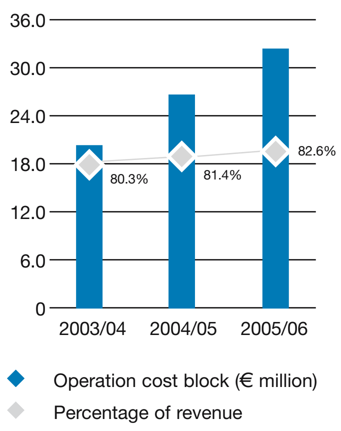
Due to strong growth in the Personal Device Security division's highly-profitable license business, and growth in the Transaction Security division, we achieved a considerable improvement in our gross result for the group. The gross profit on sales increased by 21.5%, slightly exceeding the rate in growth of sales of 19.8%. In the fiscal year the company achieved a gross profit on sales of € 34.390 million (previous year: € 28.313 million). The gross margin increased by 1.2% when compared with the previous year to 82.6%.

The greatest proportion of operating costs was due to sales and marketing. In particular, increased expansion in the American market, the opening of a Japanese subsidiary and additional sales activities in Germany led to a rise in sales and marketing costs to € 17.527 million in the fiscal year, from € 14.251 million in the previous year. Sales and marketing costs equalled 42.1% of revenues (previous year: 41.0%).

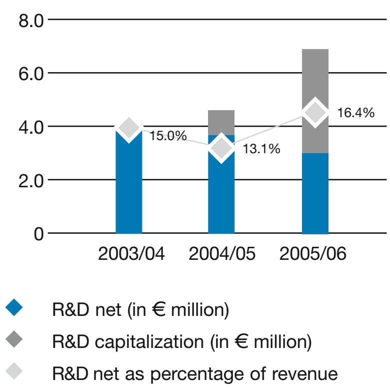
Research and development activities in the year under review once again received an increase in funding, not only for the on-going improvement of the current product portfolio but also for the development of the new SafeGuard Enterprise product generation. Consequently, expenses for Research and Development rose considerably, from € 4.552 million to € 6.467 million, of which € 3.885 million (previous year: € 902,000) were dedicated to developing new products and capitalized in accordance with IAS 38.

When the company's own efforts are taken into account, the reported costs for this division fell by € 1.069 million, when compared to the previous year, to € 2.582 million.

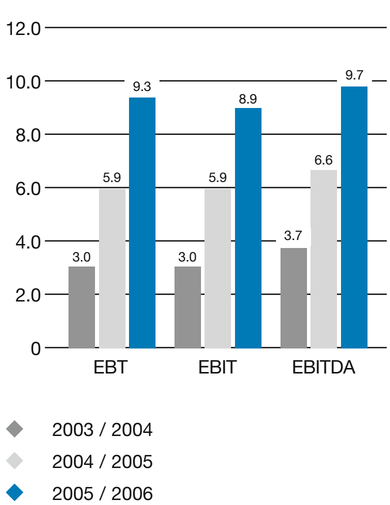
Gross profit on sales



R&D activities



Revenue Figures
(in € million)



General administration costs equalled € 5.779 million in the reporting period (previous year: € 4.929 million). General administration costs equalled 13.9% of revenues (previous year: 14.2%).

Due to the positive business development strong growth in the highly-profitable license business, and as a result of noticeably higher input from the company itself in the development of the new product generation, the results figures in every division show a significant improvement.

The EBITDA result (result before interest, tax, depreciations and amortisations) in fiscal year 2005/2006 equalled € 9.697 million (previous year: € 6.573 million). Thus, the EBITDA (earnings before interest and taxes) margin increased from 18.9% in the previous year to 23.3% in the year under review.

In the last fiscal year the operating profit, EBIT (result before interest and taxes), equalled € 8.858 million (previous year: € 5.905 million), which corresponds to a margin of 21.3% (previous year: 17.0%).

The company's pre-tax profit was € 9.297 million (previous year: € 5.910 million), which corresponds to a percentage return on sales of 22.3% (previous year: 17.0%).

In the fiscal year valuation adjustments on deferred taxes of € 900,000 (previous year: € 900,000) were dissolved, affecting performance, since the positive business development of Utimaco indicates that it is likely that they can be realized. In calculating the amount to be dissolved we took into account the new German minimum taxation regulation whose effect is to extend the offsetting of profit against accumulated tax losses brought forward over time. At the same time, passive deferred taxes worth € 1.5 million (previous year: € 0) were formed, affecting expenses for activated inputs from the company itself.

The after tax result in fiscal year 2005/2006 was € 8.029 million (previous year: € 5.994 million).

In the fiscal year an undiluted profit per share of € 0.55 (previous year: € 0.42) was achieved.

Following a decision by the Management Board and Supervisory Board of the parent company, an amount of € 2.317 million will be taken from the year-end surplus (of € 4.529 million) achieved in fiscal year 2005/2006 and moved to other profit accruals. The Management Board and Supervisory Board will propose, at the General Meeting for fiscal year 2005/2006, that a dividend worth 0.15 Euro per share should be paid to the shareholders for fiscal year 2005/2006. The total amount would therefore be € 2.212 million.

Investments

In the reporting year total investments equalled € 5.003 million (previous year: € 2.063 million). Capital spending on replacement equalled € 250,000 (previous year: € 578,000) and expansion investments equalled € 4.753 million (previous year: € 1.486 million). The main investment item was the development of a new product suite that bundles the central security functions of the current portfolio in a new architecture and extends it by adding new functions and platforms. The expenditure involved, worth € 3.885 million (previous year: € 902,000), was capitalized in accordance with IAS 38. A total of € 31,000 was spent in the year under review on further implementing the integrated ERP system that was purchased in the previous year (previous year: € 145,000).

Assets and investments

Utimaco had considerable financial resources available on 30th June 2006. The balance sheet structure has further improved compared to the previous year. In the period under review, the balance sheet total grew by € 10.495 million to € 50.991 million.

The increase in short-term assets totalling € 6.931 million was mainly due to the growth in liquid assets to € 6.861 million. However, despite an increase in business volume, receivables remained at roughly the same level as the previous year with € 8.663 million (previous year: € 8.737 million).

In the reporting period, long-term asset values increased by € 3.564 million to € 11.5 million. This was primarily due to the capitalization of software (€ 3.885 million) and the reduction of latent tax claims (€ 600,000) following the partial dissolution of valuation adjustments in previous years (€ 900,000) and offsetting against passive deferred taxes (€ 1.5 million).

With regard to liabilities, the increase in the balance sheet total was primarily caused by the growth in equity capital of € 8.022 million. Additionally, current liabilities grew by € 2.513 million, mostly as the result of higher provisions (€ 1.104 million) for staff bonuses and management bonuses, and for one increased passive deferred charge of € 1.352 million for the deferral of support and maintenance contracts.

On the balance sheet key date, equity capital equalled € 35.976 million (previous year: € 27.955 million), and subscribed capital equalled € 14.745 million (previous year: € 14.726 million). The equity ratio showed a slight increase from 69.0% to 70.6%.

Research and Development

The market for professional IT security products is characterized by high-level technical requirements, and occasional short innovation cycles, as products increasingly become more technically complex. For this reason, Utimaco's portfolio of products and solutions needs to constantly adapt to technological developments and improve to meet growing security needs. At the same time we are also developing new products. Their costs have to be capitalized in accordance with the IAS 38 guidelines. Against this background, we increased our development activities overall, compared to the previous year.

New SafeGuard Enterprise product generation

In the reporting year, the development of "SafeGuard Enterprise" that had started in the previous year was further intensified and driven forward. A prototype of this new product generation made its public debut at CeBIT in March 2006. SafeGuard Enterprise is a security suite developed on the basis of the existing product portfolio to guarantee multi-platform data security on both mobile and stationary personal devices. The core of this modular solution is a central Management Center which streamlines the definition, implementation and monitoring of company-wide security guidelines. The other modules handle end device encryption, file and folder encryption, secure data exchange and configuration protection. SafeGuard Enterprise is specifically designed to provide professional security for mobile end devices such as notebooks, PDAs and smartphones in large organizations. In addition, its central management functions also protect PCs, and their external connections, along with the data exchanged throughout corporate networks. The first version of SafeGuard Enterprise that comprises both the SafeGuard Management Center and the SafeGuard Device Encryption module will be available in the first quarter 2007. This will be followed by additional versions with new modules which can all be combined to suit any range of requirements.

Complementing the range of solutions in the PDA and smartphone segment

In the year under review the product portfolio continued to further focus in the direction of secure mobile computing. After the release of a security solution for Palm OS in December 2005, SafeGuard PDA can now be used on all major platforms for mobile end devices in the PDA and smartphone segment (Windows Mobile, Symbian and Palm OS).

By releasing the new SafeGuard PDA Windows Version 4.10 in April 2006 the company has expanded this product's area of implementation to include Windows Mobile 5.0. This latest version also means that Utimaco is now the first security solution manufacturer to support MMC smartcards (Multi Media Cards). This cutting-edge smartcard technology, when used together with SafeGuard PDA, allows 2-factor hardware token and PIN authentication procedures to be used conveniently and securely. Because the "mini card" does not need an additional card reader it is the ideal storage medium for security-critical logon information and PKI certificates. When used together with MMC smartcards, SafeGuard PDA provides an additional, extremely secure, logon procedure as a supplement to existing authentication procedures that use passwords, biometrics or symbol codes.

The SafeGuard product family was completed in January 2006 with the release of the first version of the SafeGuard PushMail security solution that is specifically designed to secure push mail services. SafeGuard PushMail makes it possible to securely encrypt all e-mails that are sent to a Push-Mail client such as BlackBerry, and sent out by this device. The solution prevents unauthorized people from reading this data. Only the recipient can read and process the mail in decrypted form. The messages are never decrypted on any part of the e-mail infrastructure, so the customer remains responsible for, and in control of, their own data security at all times.

New version of CryptoServer

As a result of the European RoHS (Restriction of the use of certain Hazardous Substances) requirements issued on 1st July 2006, the manufacturing process for the CryptoServer security module's hardware is now completely lead-free. Various components, such as the processor, realtime clock, flash memory and noise generator have also been replaced by improved elements in the same step. At the same time, all software-based modules have been optimized to suit the new hardware platform and a range of additional algorithms have been provided for customer use. Whilst ensuring complete backwards compatibility for all existing customer applications, the new version is now up to five times faster. For recompiled applications, the additional software optimization makes it up to seven time quicker than the previous version.

CryptoServer is a security module that encapsulates cryptographic functions and keys in a secured hardware module. It is used as a base component in many of Utimaco's project solutions to integrate high-performance cryptographic services in business-critical IT processes, and to guarantee secure key management for them. It is typically used in security-critical applications, such as for card production (Visa, MasterCard, EC), for road pricing systems, or in Trust Centers. The CryptoServer has been awarded certification in accordance with the US Federal Information Processing Standard (FIPS) 140-2, level 3 and is approved by the ZKA (German central credit committee) for use in electronic transactions in Germany. Up to now the CryptoServer has primarily been used as a security module in projects, and a major order, worth around € 2.6 million, was won for it in the first quarter of 2005/2006. In this fiscal year, it is planned to further standardize the CryptoServer, and to increasingly sell it as a product via OEM partners, for payment applications, the Microsoft Server environment, and for industrial applications with a PKCS#11 interface.

OEM partnership extended with Atos

The existing OEM partnership with the French company Atos Origin was extended in the third quarter to include the Atos subsidiary Atos Worldline, which will now sell CryptoServer across Europe together with their solutions for electronic payment services, CRM and e-services (Internet, voice and mobile services). In addition, Atos Worldline will also implement Utimaco's SignatureServer as part of their electronic payment services and sell it together with their electronic payment solutions. The BundesNetzAgentur (BNetzA – German Federal Networks Agency) has officially approved the SignatureServer for use when creating legally-compliant mass signatures outside Trust Centers. Its possible areas of use include, for example, signing electronic invoices. Here, the electronic signature is a prerequisite for finance offices to accept the deduction of sales tax from electronic invoices. Based on SAP's certified standard library, Sign & Crypt for SAP, the Signature Server can be integrated easily in existing business processes.

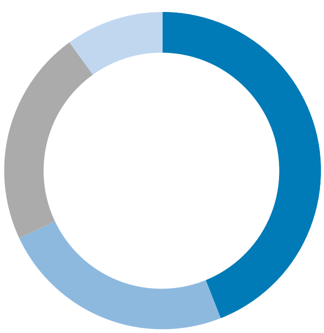
Telecommunications management system (LIMS)

In the third quarter the telecommunications management system underwent further development and launched on the market in a new version as the 'Lawful Interception Management System' (LIMS). LIMS guarantees the legally-compliant monitoring of a wide range of different telecommunications services. In addition to the existing interfaces used for GSM networks, GPRS, fixed network and e-mail, the o3sis Message Center (e-mail, Web-SMS, Web-MMS) used in the Cisco VoIP router was linked to the Utimaco VoIP filter. As Utimaco is a Cisco Preferred Supplier its LIMS product now supports one of the leading router manufacturers in the growth market for IP-based telecommunications services.

The integration of the Utimaco radius filter (DSL Access) in this new version, and the connection to the Cisco Access Server, now provides additional functionality for monitoring Internet access. It also takes into account necessary legal changes issued by the German TKÜV 2005, architectural improvements to internal structures and customer suggestions.

Both the functionality of the Utimaco Filter (e-mail, Radius) and its integration with the Cisco Access Server were thoroughly tested as part of an ETSI (European Telecommunications Standards Institute) plug test. This test confirmed that these functions conform to ETSI requirements. ETSI is regarded as the most influential standardizing body for telecommunications services in Europe. Having successfully passed this test, Utimaco can now guarantee its customers that LIMS will operate smoothly in their telecommunications infrastructures and those of authorized government bodies.

Staff by area on June 30, 2006



- Sales & Marketing: 114 (44%)
- Research & Development: 63 (24%)
- Project Development & Customer Services: 58 (22%)
- General Administration: 25 (10%)

Staff

At the end of fiscal year 2005/2006 Utimaco employed 260 staff (previous year: 223). During the fiscal year the average number of employees was 239 (previous year: 213).

In the domestic market (Germany) an average of 157 staff were employed (previous year: 140). Outside Germany there were 82 employees (previous year: 73).

Risk report

In the last fiscal year, 2005/2006, Utimaco has made further efforts to extend its risk management. Different measures, especially regular management meetings, allied with reporting across the group, using uniform guidelines, enable the company management to recognize asset risks, changes in the commercial development of the divisions, and other risks, in time to react to them.

Utimaco has identified the following main risks to it:

- Within the IT security market, organizational changes within Utimaco's target customers and new threat scenarios can cause shifts in demand or new partial market segments can arise. If Utimaco does not recognize such market changes or shifts at the right time, or is not able to offer suitable solutions for the require ments resulting from such changes, these factors could have an individual or cumulative effect on the future demand and acceptance of the services offered by Utimaco.

- In addition to the risk from products supplied by Utimaco's competitors, there is also the fundamental risk that the hardware, operating system and software suppliers develop IT security functionality and solutions, and offer them as integrated elements of their products. Furthermore, Microsoft will offer integrated hard disk encryption functionality as part of its new Vista operating system which is to be launched at the beginning of 2007. Although Utimaco is of the opinion that this integrated functionality will not fully cover the needs of customers in its target segments, it may yet have a significantly negative effect on the company's assets and profitability.

- The commercial success of Utimaco is extremely dependent on the investment policies of its customers. Utimaco's target segments are large corporations and government bodies. Reluctance to invest following an uncertain or bad economic outlook and/or the consolidation of public budgets have a negative effect on the demand for Utimaco's products and solutions.

- The market for IT security products and solutions is characterized by high levels of technical progress and short innovation cycles as products become more technically complex. For IT security products to succeed in the marketplace, their security and technical performance are decisive. Should Utimaco be unable to keep up with technological development, or should there be limitations in the functionality and performance of its products, this would have negative effects on its financial situation and profitability.

- In a few cases third-party technology is used in Utimaco's products. If the suppliers of this third-party technology should cease further development, support and/or bugfixing for it, this would result in increased expenditure for Utimaco and would reduce profitability.

- Utimaco's ability to proceed successfully with its business activity is heavily dependent on the efforts of its management and their staff in key positions. If the company fails to retain its existing staff and management, and gain enough new staff, this could have a negative influence on the company's ability to succeed in future.

- In the future it is planned to increasingly use IT sales companies and service providers to sell and implement Utimaco's products. Should Utimaco not succeed in gaining enough of these companies as partners and/or retaining them, this could impair the sale of its products.

- The IT security market has also undergone a process of consolidation in the past. The implementation of the company's strategy for growth and/or for retaining its current market share may require the acquisition of competitors and/or companies with complementary products and technologies. Possible acquisitions of this kind potentially involve a multitude of risks arising from the integration of the acquired products, technologies and operating units. In addition there are unknown uncertainties about the long-term value retention of the acquired assets and the performance of the acquired companies. As a result, acquisitions can have a negative influence on the profitability of Utimaco.

- The commercial success of Utimaco also depends heavily on outsiders being prevented from using the innovations it discovers, the technologies it develops and the brands it uses, and on Utimaco itself not infringing the copyrights held by others.

- In the context of its operational business activity, Utimaco is subject to risks arising from liability at all times. Should Utimaco be made liable due to product faults or other disruptions in services, this would have a negative effect on its financial situation and profitability.

- The company has also provided letters of comfort for the associated companies Utimaco Safeware Oy, Finland and Utimaco Safeware Ltd., UK. However, should the company be required to act on these letters of comfort, this would have a negative effect on its assets and profitability.

- Utimaco has been in a legal dispute with the seller of the affiliated company Utimaco Safeware B.V., the Netherlands, since 1997. In addition the seller has claimed damages worth € 1.2 million from Utimaco. Utimaco considers these claims for damages to be unjustified, but has provided for what it considers to be a reasonable amount, in its risk provisions, for reasons of commercial caution. Additionally the seller has made the reassignment of the associated company involved, Utimaco Safeware B.V., the Netherlands, enforceable as the result of a second legal proceeding held during the reporting year. Utimaco also considers this claim to be unjustified and legally not enforceable. If Utimaco should become further involved in the lawsuit, something its legal consultants think very unlikely, this may have a considerable negative effect on the company's assets and profitability.

Supplementary report

There were no events of particular importance after the end of the fiscal year.

Forecast report

Market researchers have forecast continued positive developments in the IT security market in the coming years, and we want to profit from them. In this fast-moving marketplace it is essential that we invest strongly in future growth. We aim to finance these investments from our operating business and to continue to grow profitably.

In addition to positive developments in revenue in our home market, we especially want to take greater advantage of the potential for growth abroad, in particular in the USA and quickly expand our customer base outside Germany. To further this aim in future we will make more use of our products that are designed to secure critical business data, and therefore place even greater emphasis on our fundamental competitive advantage.

Our development activities will focus on supplying the new SafeGuard Enterprise product generation, which will be launched in the first quarter of 2007. Due to the long sales cycle, we do not expect to see the positive effects on revenues resulting from SafeGuard Enterprise sales until fiscal year 2007/2008.

However, we cannot exclude the possibilities of fluctuations in revenues, orders, and therefore also company activities as a whole, during fiscal year 2006/2007. It is just as likely for jobs to be delayed as for us to be given jobs that we know nothing about today.

To sum up, Utimaco as a specialist supplier of solutions designed to protect sensitive commercial data against unauthorized access and manipulation has created a solid foundation for another good fiscal year. In fiscal year 2006/2007 Utimaco expects to see continuing growth in sales as a result of its current planning strategies, and at the same time, increased expenditure in development and marketing activities, necessary to expand its position in the market. When SafeGuard Enterprise is launched in the market in the first quarter of 2007 this will also bring to an end the positive effect on earnings caused by the capitalization of software we have produced ourselves. However the company expects stable profitability for fiscal year 2006/2007.

Oberursel, September 2006

Martin Wülfert
Chairman of the Management Board

Christian Bohne
Financial Director

Consolidated Financial Statement

Content

Consolidated Balance Sheet in Accordance with IFRS on June 30, 2006

€	June 30, 2006	June 30, 2005	Appendix
ASSETS			
Short-term assets			
Cash and cash equivalents	29,232,913	22,371,661	(30)
Accounts receivable, trade, net	8,663,457	8,737,467	(31)
Inventories	759,574	796,597	(32)
Other short-term assets	834,916	654,358	(33)
Total short-term assets	**39,490,860**	**32,560,083**	
Long-term assets			
Long-term financial assets	87,885	40,690	(34)
Shares in affiliated companies	0	0	(35)
Property, plant and equipment	1,334,256	1,180,661	(36)
Intangible assets	6,697,285	2,733,662	(37)
Deferred tax claims	2,600,000	3,200,000	(38)
Other long-term assets	780,547	780,547	(39)
Total long-term assets	**11,499,973**	**7,935,561**	
Total assets	**50,990,833**	**40,495,644**	
EQUITY AND LIABILITIES			
Liabilities			
Short-term liabilities			
Trade payables	1,684,143	1,693,361	(40)
Prepayments received	34,667	365,480	
Other liabilities	2,714,232	2,701,641	(41)
Tax accruals	1,230,954	845,447	(42)
Accruals	3,116,766	2,013,134	(43)
Deferred items	5,123,009	3,771,321	(44)
Total short-term liabilities	13,903,771	11,390,384	
Long-term liabilities			
Liabilities due to banks	84,434	105,308	
Pension accruals	1,026,417	1,045,401	(45)
Total Long-term liabilities	**1,110,851**	**1,150,709**	
Equity			(46)
Share capital	14,745,449	14,726,064	
Capital reserves	5,032,205	4,905,862	
Other reserves	2,317,014	0	
Adjustment item for foreign currency conversion	30,169	183,719	
Retained earnings	13,851,375	8,138,906	
Total shareholder's equity	**35,976,211**	**27,954,551**	
Total equity and liabilities	**50,990,833**	**40,495,644**	

Consolidated Profit and Loss Statement in accordance with IFRS for the Fiscal Year 2005/2006

€	2005/2006	2004/2005	Appendix
Revenues	41,651,651	34,778,421	(48)
Cost of Sales	-7,261,459	-6,465,136	(49)
Gross profit	**34,390,192**	**28,313,286**	
Sales and marketing costs	-17,527,499	-14,251,338	(50)
Research and development costs	-2,581,890	-3,650,472	(51)
General administration costs	-5,778,604	-4,929,260	(52)
Other operating income	868,176	730,921	(53)
Other operating expenses	-523,487	-304,059	(54)
Result from ordinary operations	**8,846,888**	**5,909,078**	
Income from affiliated companies	18,450	0	
Financial result	431,490	1,269	(55)
Result before taxes	**9,296,828**	**5,910,348**	
Taxes on income	-1,267,345	83,458	(56)
Net profit	**8,029,483**	**5,993,806**	
Result per share – undiluted	**0.55**	**0.42**	**(57)**
Result per share – diluted	**0.53**	**0.41**	**(57)**

Consolidated Cash-Flow Statement in Accordance with IFRS for the Fiscal Year 2005/2006

€	2005/2006	2004/2005
Cash-flow from operating activities		
Result before taxes and contributions by others to the result	**9,296,828**	**5,910,348**
Adjustments to reconcile net profit/net loss for the year to the cash-flow from operating activities		
• Depreciation on property, plant and equipment and intangible assets	832,064	664,230
• Depreciation on financial assets	7,433	4,295
• Change in pension provisions	-18,984	-13,254
• Interest income/interest expenses	-438,923	-5,566
• Change in other not-cash items	-52,610	-33,804
Subtotal	9,625,808	6,526,249
Changes in assets and liabilities		
• Increase in inventories, receivables, other assets and active deferred income	-65,205	-1,755,939
• Reduction in liabilities, short-term provisions and passive deferred items	2,014,617	1,790,173
• Tax payments	-168,575	-121,628
Cash-flow from operating activities	**11,406,645**	**6,438,855**
Cash-flow from investment activities		
• Expenses for plant and equipment and intangible assets	-4,953,904	-2,062,381
• Expenses for investments in financial assets	-50,000	0
• Interest receipts/interest payments	446,453	274,552
Cash-flow from investment activities	**-4,557,451**	**-1,787,829**
Cash-flow from financing activities		
• Changes in obligation to banks	-20,874	37,772
• Interest payments	0	-10,242
• Expenses/income for long-term liabilities	-11,846	0
• Income from capital increase	44,779	1,263,055
Cash-flow from financial activities	**12,059**	**1,290,585**
Increase in cash and cash equivalents	6,861,252	5,941,611
Cash and cash equivalents at the beginning of the fiscal year	22,371,661	16,430,050
Cash and cash equivalents at the end of the fiscal year	**29,232,913**	**22,371,661**
Composition of cash and cash equivalents		
Securities	9,835,724	0
Cash credit	6,041	7,521
Bank credit	19,391,148	22,364,140
	29,232,913	**22,371,661**

Consolidated Changes in Equity in Accordance with IFRS on June 30, 2006

	Issued individual share certificates Number	Subscribed capital €	Capital reserves €	Other reserves €	Adjustment items for currency conversion €	Retained earnings €	Total equity capital €
Date June 30, 2002	**6,214,343**	**6,214,343**	**27,594,390**	**0**	**144,478**	**-28,084,559**	**5,868,652**
Purchase of own shares	12,900	12,900	245,100				258,000
Annual net profit						112,392	112,392
Adjustment items for foreign currency conversion					63,916		63,916
Date June 30, 2003	**6,227,243**	**6,227,243**	**27,839,490**	**0**	**208,394**	**-27,972,166**	**6,302,962**
Capital increase as of September 5, 2003	6,227,243	6,227,243	2,490,897				8,718,140
Cost of issuing shares for capital increase			-384,159				-384,159
Tax effect on cost of issuing shares for capital increase			149,700				149,700
Capital increase through exercising of options	1,542,428	1,542,428	894,272				2,436,700
Equity ratio from warranty bond			382,331				382,331
Annual net profit						3,116,691	3,116,691
Adjustment items for foreign currency conversion					2,753		2,753
Date June 30, 2004	**13,996,914**	**13,996,914**	**31,372,532**	**0**	**211,147**	**-24,855,475**	**20,725,118**
Capital increase through exercising of options	729,150	729,150	533,905				1,263,055
Withdrawals from capital reserves			-27,000,575			27,000,575	0
Annual net profit						5,993,806	5,993,806
Adjustment items for foreign currency conversion					-27,428		-27,428
Date June 30, 2005	**14,726,064**	**14,726,064**	**4,905,862**	**0**	**183,719**	**8,138,906**	**27,954,551**
Capital increase through exercising of options	19,385	19,385	25,394				44,779
Equity ratio from option assignment			100,949				100,949
Annual net profit				2,317,014		5,712,469	8,029,483
Adjustment items for foreign currency conversion					-153,550		-153,550
Date June 30, 2006	**14,745,449**	**14,745,449**	**5,032,205**	**2,317,014**	**30,169**	**13,851,375**	**35,976,211**

Supplement to the IFRS Consolidated Financial Statement of June 30, 2006

GENERAL

The consolidated financial statement for the fiscal year 2005/2006 has been prepared while applying § 315a HGB (formerly, while applying § 292a HGB), in accordance with the International Financial Reporting Standards (IFRS), and includes the financial statements for the company and its subsidiaries. In preparing it, all standards defined for use in the EU on the balance sheet cut-off date, by the International Accounting Standards Board (IASB), London, and the valid interpretations of the International Financial Reporting Interpretations Committee (IFRIC) or of the Standing Interpretations Committee (SIC) have also been taken into account. In addition, note was also taken of the supplementary guidelines under commercial law, in accordance with § 315a Para. 1 HGB.

a) Company activity

Utimaco Safeware AG operates in the area of electronic data processing, the production and sale of software and hardware, with a focus on security solutions (safeware) including maintenance, licenses, consulting and training.

b) Consolidated group

(1) Key shareholdings

The consolidated financial statement includes not only Utimaco Safeware AG but also three German companies (previous year: three) and seven non-German companies (previous year: six) in which Utimaco Safeware AG has immediate or indirect majority voting rights and exercises a uniform management strategy.

The following immediate and indirect subsidiaries of Utimaco are included in the consolidated financial statement (shareholding 100% in each case):

- Utimaco Beteiligungsgesellschaft mbH, Oberursel
- uti-maco safeguard systems international GmbH, Oberursel
- Utimaco Safeware AB, Kista, Sweden
- Utimaco Safeware B.V., Arnhem, the Netherlands
- Utimaco Safeware Inc., Foxboro, MA, USA
- Utimaco Safeware K.K., Yokohama, Japan
- Utimaco Safeware Ltd., Staines, Middlesex, England
- Utimaco Safeware Oy, Vantaa, Finland
- Utimaco Verwaltungsgesellschaft mbH, Oberursel
- Utimaco Safeware (Schweiz) AG, Urdorf, Switzerland.

The two off-the-shelf companies, Utimaco Beteiligungsgesellschaft mbH and Utimaco Verwaltungsgesellschaft mbH, were involved in no operational activities in the reporting year, as in the previous year.

(2) Minority interests

Utimaco Safeware Belgium NV, in liquidation, applied for insolvency on the 16th September 2002 and is now in liquidation. The company's entry has not yet been deleted from the Belgian Commercial Register.

Equity capital and annual results of affiliated companies comprise:

Name and place of the company	Capital share %	Equity € 000	Annual result € 000	Note
Utimaco Safeware Asia Ltd., Hong Kong	49.90	-1,267	4,355	(a)
Utimaco Safeware Belgium NV, in receivership, Heverlee, Belgium	41.07	-917	-1,562	(b)
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum	13.35	9	93	(c)

(a) Figures on June 30, 2005. Figures for June 30, 2006 not yet available
(b) Figures on June 30, 2002. The company has been in liquidation since September 16, 2002
(c) Figures on December 31, 2005

REPORTING AND EVALUATION METHODS

The following basic reporting and evaluation methods were used to draw up the consolidated financial statement of Utimaco Safeware AG:

(3) Representation methods

The profit and loss statement has been created using the cost-of-sales accounting format.

The Communications and Insurance costs, and expenditure on the corporate IT infrastructure, have been included in the "General Administration Expenses" posting, as in the previous year, to make the accounts more informative.

(4) Explanations of reporting, evaluation and consolidation methods that differ from German law

As a listed company, the company has prepared its accounts with accounting date 30th June 2006 in accordance with the IFRS.

The main differences to the German accounting principles according to HGB involve the following items:

- Accounting law for self-created software (IAS 38) compared to non-inclusion in accounts as defined in German HGB
- Balance sheet preparation of production orders with partial realization of profit using the "percentage of completion" method (POC) in accordance with IAS 11 compared to non-inclusion in accounts earnings that have not yet been achieved as defined in German HGB
- Requirement to include active deferred taxes for tax-loss carry-forwards (IAS 12) in the balance sheet, insofar as it appears certain that the accumulated losses brought forward can be used, compared to non-inclusion in accounts as defined in German HGB
- Evaluation of pensions liabilities using the Projected Unit Credit method, while also taking into account future increases in salaries and pensions (IAS 19) compared to the present value method as defined in German HGB
- No planned depreciation of goodwills, but unplanned depreciation if required after the annual value retention check (IAS 36). In contrast, planned depreciation as defined in German HGB.
- Consideration of compensations for employees based on a share option scheme in the capital reserve and the personnel costs (IFRS 2) compared to non-consideration in German HGB.

(5) Consolidation methods

The annual financial reports of the companies included in the consolidated financial statement are based on uniform accounting and evaluation principles. The individual financial reports from the companies involved have been prepared up to the reporting date of the consolidated financial report.

a) Key shareholdings

Capital consolidation follows the purchase method. Here, the costs of acquiring the shareholdings are deducted from the equity capital that they involve at the time of acquisition or at the point in time at which they are first included in the consolidated financial statement. The shares of other shareholders are determined on the basis of the book values of the shared equity capital assigned to it, before acquisition. Any difference that results is added to the assets and debts to the extent that their current market value varies from the book value. A remaining active difference is handled as goodwill and was up to now depreciated linearly over 5 to 10 years. According to IFRS 3 a goodwill that results from the merging of companies agreed on or after the 31st March 2004 is no longer to be depreciated according to a plan. Instead, it is to undergo an annual value retention check.

Intra-group profits and losses, sales revenues and expenses and revenues, as well as the receivables and liabilities existing between consolidated companies, have been eliminated.

Deferred taxes have been calculated for all profit and loss effects resulting from intra-group transactions and balances.

b) Minority interests

Participations in companies on whose finance and business policy Utimaco Safeware AG has significant influence (usually because of a shareholding of between 20% and 50% in that company) are valued according to the equity method IAS 28. Unrealized profits and losses out of trade relationships between Utimaco Safeware AG and the affiliated companies are eliminated according to the participation quota and the income tax effects are shown through assessment of deferred taxes.

The participation in affiliated companies is reevaluated if there are indications that the assets have reduced in value. If there is a lower value, an unplanned depreciation is applied to it.

c) **Participations in companies whose finance and business policy Utimaco Safeware AG neither controls nor influences**

Shares in companies whose finance and business policy Utimaco Safeware AG neither controls nor influences are evaluated using the acquisition costs, in accordance with IAS 39.

(6) Cash and cash equivalents

Cash and cash equivalents, consisting of cash in hand and credit at credit institutions, and of securities, (provided they are considered as cash equivalents, in accordance with IAS 7), have been reported at their nominal value.

(7) Receivables

Receivables from deliveries and services have been reported at their on-going costs of acquisition, while taking into account necessary valuation adjustments for recognizable individual risks.

(8) Inventories

Inventories have been reported at their acquisition or (consolidated) manufacturing costs in accordance with IAS 2, with the application of permitted calculation simplification methods (weighted average method). All recognizable risks related to the inventory assets resulting from decreased usability are accounted for through appropriate devaluation. The lower of cost or market principle was applied. The valuation of manufacturing costs include the production and material direct costs, as well as the systematically attributable production and material direct costs, and production and material overhead. Interest costs were not capitalized.

(9) Production orders

Specially negotiated production orders have been reported in the balance sheet using the "percentage of completion" method (POC) in accordance with IAS 11. Partial realization of profit in accordance with POC has been applied if the necessary modifications in design, function or technology are an essential characteristic of the customer order and the result of a production order can be determined reliably and will probably increase the business benefit. These orders have been reported under the Trade accounts payable or receivable from POC. If the cumulated performance (job costs and job result) exceeds the payments on account in an individual case, the production orders have been reported on the assets side under "Future receivables from production orders" under the Receivables from deliveries and services. If there is a negative balance, production orders have been reported under the corresponding liabilities.

(10) Financial instruments

Financial instruments are contract-based commercial procedures, that contain a right to obtain cash (equivalents). According to IAS 32 these include the original financial instruments, basically cash and cash equivalents, marketable securities, receivables from deliveries and services, trade payables and other receivables and liabilities, and also loans. The criteria for using and evaluating these items are given in the appropriate figures in the Appendix.

Financial instruments are set in sequence as debts or equity capital according to the commercial contents of the contractual agreement. Interest, dividends, profits and losses relating to financial instruments or one of their parts, that are classified as financial liabilities, are recorded in the profit and loss statement as expenses or revenues.

There were no financial instruments that were used as hedges to protect against risks arising from changes in currency exchange rates and interest rates, on the balance sheet date.

(11) Other assets

Other assets have been balanced against their net costs of acquisition. Recognizable individual risks have been covered by individual provisions.

(12) Long-term financial assets

Loans to affiliated companies have been balanced against their net costs of acquisition. Securities classified as fixed assets have been balanced against their current market value as a fair value on the balance sheet date.

Loans and Securities classified as fixed as sets have been classified as "to be held until finally due" or "available for sale" and have been reported at their net costs of acquisition or their current value ("fair value") in accordance with IAS 39.

If there are reasons to believe there has been a reduction in value, an annual impairment test has been carried out and the reduction in value has been accounted for by an unplanned depreciation. The shareholdings evaluated using the equity method have been reported with their proportionate equity capital in accordance with the book value method.

(13) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at acquisition or production cost less scheduled depreciation through use over the foreseeable effective life. Any expected lasting decline in economic usefulness that exceeds the normal reduction in value due to normal use, is covered by extraordinary depreciation. On the balance sheet date there were no indications of loss of value (impairment) as defined in IAS 36. Borrowing costs were not capitalized. If property, plant and equipment is sold off, their costs of acquisition or manufacture and cumulated depreciations are eliminated from the balance sheet and the profit or loss resulting from their sale is transferred into the profit and loss statement.

The original acquisition or manufacturing costs of property, plant and equipment include the purchase price and all directly attributable costs needed in order to make the asset capable of operation, and to transport it to the location at which it is to be used. Expenses that arise later, after the fixed asset has been brought into use, such as maintenance costs, are recorded to affect the period in which the costs occurred.

If it can be clearly proven that the expenses will lead to an increase in the future expected business benefit from using the asset, compared to its original length of service, the related expenditure has been reported as subsequent costs of acquisition.

Property, plant and equipment are depreciated using the straight line method. Regular depreciation is based on the following useful lives which apply to the entire group:

Buildings	25 years
Fixtures, furniture and office equipment	3 to 10 years

The effective lives and depreciation methods used are checked in each period to ensure that the depreciation method and the depreciation period match up with the expected commercial benefit from each tangible fixed asset.

(14) Balance sheet preparation of leasing relationships

In the case of the leasing agreements, these are "operating" leasing agreements which remain commercial risks and opportunities for the lessor, so no capitalization occurs for the lessee. The leasing payments are recorded linearly in the profit and loss statement, with effect on revenue, over the period of the leasing agreement. There is no leased property, plant and equipment that can be regarded as commercial purchases with long-term financing (financial leasing).

(15) Intangible assets

Intangible assets are reported at their acquisition or manufacturing costs and are depreciated linearly over their foreseeable useful life. Intangible assets are shown if it is probable that the future business benefit of these assets will come to the company, and that the acquisition or manufacturing costs of these assets can be measured reliably. Impairment losses as defined in IAS 36 (Impairment), and depreciation time periods and methods are examined annually at the end of the fiscal year, and at other times, whenever the need arises.

a) Software and similar rights

The acquisition costs of new software will be activated and regarded as an intangible asset, insofar as these costs are not an integral component of the relevant hardware. Software will be depreciated linearly over a period of three years.

This item also includes capitalized development costs. Expenditure for the development of new software products and for significant improvement to existing software products is deducted as expenses, in particular, until the point at which the technological feasibility has been determined. Costs incurred after this point in time are capitalized as development costs according to IAS 38 until the general release of the products. The costs are no longer capitalized once the product is available for release to customers. Changes in the version and updates involving these product lines do not fulfill the requirements of capitalization pursuant to IAS 38 as they are not regarded as separate, new products. Instead, the focus is on the optimization of products which have already been developed. Activated development costs are depreciated linearly over a period of 3 years. The book value of capitalized development costs is checked annually for its recoverability.

b) Goodwill

Goodwill is regarded as the surplus of the acquisition costs during the acquisition of a company, on the day of purchase, over the acquired share of the current market values of the identifiable assets of the acquired company. It is shown in the profit and loss statement as an asset. The evaluation is made on the basis of the costs of acquisition and, until the fiscal year 2003/2004, minus planned depreciations and any impairment losses, in accordance with IAS 36. In accordance with IFRS 3, planned depreciations have no longer been performed since fiscal year 2004/2005 (see also (13)). The recoverability of goodwill in accordance with IAS 36 is only checked once a year. If necessary, appropriate adjustments are made to values. In accordance with IAS 36 these are defined by using comparisons with the discounted expected future cashflow, resulting from the use of those assets that are to be designated as the corresponding goodwill amounts.

The depreciation period is ten years. The residual value after depreciation is checked on each balance sheet date with regard to its future business benefit. There were no indications that the goodwill should be reduced due to the reduction of the achievable revenues of the cash-generating unit.

(16) Liabilities

Short-term liabilities have been reported in the balance sheet at their repayment amount or the amount required to fulfil the obligation. Long-term liabilities and financial liabilities have been reported at their net costs of acquisition.

(17) Provisions

Pension provisions are calculated in accordance with IAS 19 by the legal right to future pension payments ("Projected Unit Credit Method") and take into account future charges and pension adjustments. The service costs for pension beneficiaries (members of the pension scheme) result from pension fund provisions that have developed according to plan. Accordingly the entitlements to pension will only be included up to the amount that was earned before 30th June 2006. The corridor approach allowed in IAS 19 is not used here.

Remaining provisions are formed as stated in IAS 37, if the company has a current obligation legal or factual) from a past event and it is probable that a reduction in resources which include commercial use will result from the fulfillment of this obligation, and that the amount involved in meeting this obligation can be reliably determined. In this context, the amount stated is the one that appears most probable when the facts are examined. Provisions that contain a proportion of interest have been discounted.

(18) Share-based payment

The group applies the regulations defined in IFRS 2, "Share-based Payment". In accordance with the transitional period regulations, IFRS 2 has been applied for all equity instruments granted after the 7th November 2002, that had not yet been vested on the 1st January 2005.

The group makes payments to certain staff, that are settled using equity instruments. Payments that are to be settled with equity instruments have been reported at their current market value at the point in time they were granted. The current market value determined at the point in time at which payments were granted, that are to be settled with equity instruments, has been reported linearly in the profit and loss statement, over the vesting time period. Here, the group has estimated the number of shares that have been vested.

The current market value has been determined using the Black-Scholes model. The corporate management have used this model to determine or estimate as accurately as possible the factors affecting the model: the expected remaining period to run, expected volatility and the expected dividends. Market data or the values from the share option scheme itself have been used for the risk-free interest rate, the option striking price (basic price) and the current value of the share involved at the point in time at which payments were granted.

(19) Revenue generation

Revenues have been recorded if it is probable that the business benefit linked to the corresponding business transaction will go to the company and the revenue amounts can be measured reliably. Returns on revenue have been recorded minus the general sales tax and any price reductions and discounts for quantity if the delivery to the customer, or provision of services, has taken place and the transfer of risks and opportunities of ownership has been completed. Revenues generated by the sale of standard software have been recorded once the software has been delivered. In the case of personal software, revenue is not regarded as received until the customer has accepted the software. Maintenance revenues will be included on a pro rata basis over the lifespan of the contract.

(20) Grants

Grants from public bodies for research and development projects have been recorded as revenue, according to plan, in the course of the period, in which the appropriate expenditure was incurred, in accordance with IAS 20.

(21) Foreign currencies

a) Foreign currency transactions

Transactions in foreign currencies are posted at the exchange rate on that particular day. As a general rule, any assets, debts and uncompleted cash transactions in foreign currencies have been converted at the exchange rate on the balance sheet date.

b) Foreign currency conversion in the group

The conversion of the annual financial reports from group companies is carried out in accordance with the Functional Currency concept. The functional currency of these companies is the currency used in the country where these companies operate from a financial, commercial and organizational point of view. The items in the profit and loss statement (except equity capital items, which have been converted at past exchange rates) have been converted into € at the exchange rate of the respective balance sheet date. The items in the profit and loss statement of the consolidated companies that are based abroad have been converted into € at the average exchange rates in the reporting year (modified current rate method). Currency conversion gains and losses from capital consolidation have been shown separately within the Equity capital items, under "Adjustment items for foreign currency conversion", and not affecting net income.

(22) Pension plan

A number of people have been promised an employer's pension commitment in the form of a lifelong payable pension (supplementary retirement pay) if they have completed their 65th year of life, or are unable to continue to work for reasons set out in the state pension provision guidelines, and leave the company. A claim for pension payments occurs when there is an insured event. Pension claims are discarded after the month in which the prerequisites for pension payment no longer apply. Pensions are paid on the first day of every month. The pension amount set for each beneficiary is binding. The lifetime survivors' pension for the spouse of the beneficiary amounts to 2/3 of the pension.

(23) Cost of debts

The cost of debts is generally reported as expenditure in the period in which these costs occurred.

(24) Taxes on income

In the case of the taxes on income the tax burden is calculated according to the taxable annual income and includes tax liabilities. Deferred taxes are calculated using the profit and loss-oriented liability method and reflect the net tax effects of temporary differences between the book value of assets or debts in the profit and loss statement, consolidation procedures or tax losses carried forward that are achievable. Latent claims made under the tax relationship and debts are calculated using taxation rates that are expected to apply for the period in which an asset is realized or a debt is fulfilled.These are based on the laws that apply or have been passed as of the balance sheet date.

A latent claim made under the tax relationship is included in the balance sheet for all deductible temporary differences. If it seems unlikely that taxable income will be available that can be used to offset the temporary difference, the latent claim under the tax relationship is provided for. The value retention of deferred tax claims is reassessed on each balance sheet key dateand a new valuation adjustment is formed or existing valuation adjustments are modified.

(25) Reduction in value of assets (impairment)

In accordance with IAS 36, property, plant and equipment, intangible assets and other assets have been checked to see whether their values have reduced if it is likely that events or changes in conditions may have made it impossible for them to achieve their book value. Goodwill and intangible assets with an unlimited period of use must be checked at least once a year for any possible reduction in value. No reinstatement of original values is permitted for goodwill. If the book value of an asset exceeds its achievable amount, an expenditure due to loss of usefulness has been entered for property, plant and equipment, intangible assets and assets that were reported at their acquisition or manufacturing costs. The achievable amount is regarded as the higher of the net sale value and the rental value. The net sale value is the amount which can be raised by selling an asset in a standard market transaction between well-informed, contractual parties. The rental value is understood to be the cash value of estimated future cash flow expected from the continued use of an asset and its disposal at the end of its effective life. The targeted amount is estimated for each individual assets or, if this is not possible, for the unit that generates a means of payment.

With the exception of goodwill, the reinstatement of a depreciation amount performed for an expenditure due to loss of usefulness entered in earlier years for an asset occurs if there is a checkpoint present which indicates that the depreciation is either no longer present or may have been reduced. The reinstatement of the original value is entered as income in the profit and loss statement.

(26) Segments

Utimaco is organized into divisions.

A division (segment) is a separate subdivision of the Utimaco group that provides deliveries and services which differ from those of other segments (divisions) in, among other things, the way in which they are manufactured and sold. Utimaco is organized in two (previous year: two) divisions.

Segments: for management purposes, the group is divided into two international geographical segments. These areas form the basis on which the company presents its top-level segment information. Financial information about business segments and main areas of business is given in the appendix.

Transactions between the segments: segment revenues, segment expenditure and segment results include transfers between areas of business activity and between geographic segments. These transfers are reported in the balance sheet at the usual market prices. These transfers have been eliminated in the consolidation data.

(27) Estimates used in the consolidated financial report

The creation of the annual financial report requires that the Board of Directors makes assumptions and estimates that influence the amounts reported in debts, revenues and expenditure, and potential liabilities, on the particular reporting date and in the particular reporting period. The actual results may vary from these estimates.

(28) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the position of the company on the balance sheet date or show that acceptance that the company will continue trading is wrong, have been included in the profit and loss statement (value elucidation). Events after the balance sheet date, that require no adjustments, have been listed in the Appendix if they are important.

(29) Disclosures date

The consolidated financial statement approved by the Supervisory Board will be released for publication on the 25th September 2006.

EXPLANATIONS OF SPECIFIC ITEMS IN THE CONSOLIDATED BALANCE SHEET

The current assets and liabilities that are stated in the consolidated balance sheet have a remaining term of payment of less than one year, if no other information is given in the single items of the balance sheet shown below.

(30) Cash and cash equivalents

€ 000	June 30, 2006	June 30, 2005
Cash/bank credit	16,373	12,348
Shares	12,860	10,024
	29,233	**22,372**

(31) Accounts receivable, trade, net

Accounts receivable, trade, worth € 8.663 million (previous year: € 8.737 million) mostly have no longer than one month time allowed for payment, and are all due within twelve months.

No valuation adjustments or depreciations on receivables worth mentioning were made in the previous year.

No "future receivables from production orders" are included in the accounts receivable, trade (previous year: € 452,000.

(32) Inventories

Inventories break down as follows:

€ 000	June 30, 2006	June 30, 2005
Work in progress	28	198
Goods	700	574
Advance payments	32	25
	760	**797**

In the reporting year, as in the previous year, no inventory valuation adjustments were necessary.

(33) Other short-term assets

€ 000	June 30, 2006	June 30, 2005
Change in accounts receivable, other assets and deferred income	679	403
Taxes	23	36
Accounts receivable from employees	17	11
deposits	42	25
Debit-side creditors	1	115
Interest receivable	47	0
Miscellaneous	26	64
	835	**654**

On the balance sheet date receivables still existed against companies in which the group had a shareholding, worth € 50,000 (previous year: € 667,000).

(34) Long-term financial assets

€ 000	June 30, 2006	June 30, 2005
Loans to affiliated companies	50	0
Securities classified as fixed assets	38	41
	88	**41**

The value of securities worth € 38,000 (previous year: € 41,000) are used with an amount of € 1,000 (previous year: € 3,000) to cover the legal settlement claims of staff from the Austrian branch.

Long-term financial assets have developed as follows:

€ 000	Loans to affiliated companies	Securities	Total
Gross values July 1, 2005	863	44	907
Inputs	54	0	54
Gross values June 30, 2006	917	44	961
Depreciations on July 1, 2005	863	4	867
Inputs	4	2	6
Gross values on June 30, 2006	867	6	873
Net book values on June 30, 2005	**0**	**41**	**41**
Net book values on June 30, 2006	**50**	**38**	**88**

(35) Shares in affiliated companies

Long-term assets reported as shares in affiliated companies include shareholdings in Utimaco Safeware Asia Ltd, Hong Kong, and Gesellschaft für IT-Sicherheit AG (GITS AG) Bochum, Germany.

The company Gesellschaft für IT Sicherheit AG (GITS AG), Bochum, Germany, has been reported at its cost of acquisition minus its proportional losses in the reporting period.

Not reported is the shareholding in Utimaco Safeware Belgium NV which had already been completely depreciated in 2004. Since its application for insolvency on 16th September 2002 this company has been in liquidation and is no longer operating. The company's entry has not yet been deleted from the Belgian Commercial Register.

The following table shows the development of shares in affiliated companies:

€ 000	GITS AG	Utimaco Asia Ltd.	Total
Gross values July 1, 2005	50	507	557
Inputs	0	0	0
Gross values June 30, 2006	50	507	557
Depreciations July 1, 2005	50	507	557
Inputs	0	0	0
Gross values June 30, 2006	50	507	557
Net book values June 30, 2005	**0**	**0**	**0**
Net book values June 30, 2006	**0**	**0**	**0**

(36) Property, plant and equipment

€ 000	June 30, 2006	June 30, 2005
Tenant's fixtures and fittings	11	0
Fixtures, furniture and office equipment	1,323	1,181
	1,334	**1,181**

Property, plant and equipment have developed as follows:

€ 000	Fixtures, furniture and office equipment	Tenant's fixtures and fittings	Total
Gross values July 1, 2005	4,419	0	4,419
Inputs	778	13	790
Disposals/transfers	-133	0	-133
Gross values June 30, 2006	5,063	13	5,076
Depreciations July 1, 2005	3,238	0	3,238
Inputs	586	2	588
Asset retirements/transfer postings	-84	0	-84
Gross values June 30, 2006	3,742	2	3,742
Net book values June 30, 2005	**1,181**	**0**	**1,181**
Net book values June 30, 2006	**1,323**	**11**	**1,334**

(37) Intangible assets

€ 000	June 30, 2006	June 30, 2005
Software and similar rights	5,417	1,454
Goodwill	1,280	1,280
	6,697	**2,734**

The Software and similar rights item includes costs for the development of new software products worth € 3.885 million (previous year: € 902,000).

The following table shows the development of Intangible assets:

€ 000	Software and similar rights	Goodwill	Total
Gross values July 1, 2005	11,179	4,399	15,578
Currency conversion	0	0	0
Inputs	4,212	0	4,212
Asset retirements/transfer postings	-31	0	-31
Gross values June 30, 2006	15,360	4,399	19,759
Depreciations July 1, 2005	9,725	3,119	12,844
Currency conversion	0	0	0
Inputs	249	0	249
Asset retirements/transfer postings	-31	0	-31
Gross values June 30, 2006	9,943	3,119	13,062
Net book values June 30, 2005	**1,454**	**1,280**	**2,734**
Net book values June 30, 2006	**5,417**	**1,280**	**6,697**

(38) Deferred tax claims

Deferred taxes have been formed for all major temporary differences between the commercial and tax balance sheets in accordance with IAS 12. Income taxes are calculated according to the laws that are valid or have been passed as of the balance sheet date.

The company's active deferred taxes are as follows:

€ 000	June 30, 2006	June 30, 2005
Deferred taxes from		
• accumulated tax losses brought forward	8,127	8,739
• temporary differences	37	143
	8,164	8,882
Valuation adjustments	-4,064	-5,682
	4,100	3,200
Offsetting against deferred tax debt within the same tax authorities	-1,500	0
	2,600	**3,200**

Deferred taxes worth € 4.1 million were formed on capitalized deferred claims made under the tax relationship (previous year: € 3.2 million), as it seems probable that Utimaco Safeware AG will achieve taxable results in the next three years, before the as yet unused tax losses expire, and can use them for offsetting losses.

We also refer the reader to the information in section (56), "Income tax".

The noncapitalized tax losses carried forward were as follows:

€ 000	June 30, 2006	June 30, 2005
Utimaco Safeware AG, Oberursel, Germany*	17,563	19,748
Utimaco Safeware Oy, Vantaa, Finland	1,570	1,384
Utimaco Safeware AG (Schweiz), Urdorf, Switzerland	559	890
Utimaco Safeware Ltd., Staines, Middlesex, UK	1,528	1,413
Utimaco Safeware Inc., Foxboro, USA	1,659	1,196
Utimaco Safeware B.V., Arnhem, The Netherlands	77	0
uti-maco safeguard systems international GmbH, Oberursel, Germany	675	690
Utimaco Safeware KK, Yokohama, Japan	346	0
Miscellaneous	7	6
	23,984	**25,327**

* including contribution made by business premises worth € 2.04 million (previous year: € 1.349 million)

(39) Other long-term assets

€ 000	June 30, 2006	June 30, 2005
Receivables claimed from the former owner of shares in Utimaco Safeware B.V., Arnhem,The Netherlands	780	780

The remaining other long-term assets include receivables from the former owner of Utimaco Safeware B.V., and its subsidiary, both based in Arnhem, The Netherlands. The accounts receivable result from the income of both companies in Utimaco Safeware B.V., Arnhem, in the period prior to the takeover by Utimaco Safeware AG. The accounts receivable from the former shareholder of € 610,000 (previous year: € 610,000) and its subsidiary, amounting to € 170,000 (previous year: € 170,000), are the subject of an action for recovery that Utimaco Safeware AG is in the process of bringing. After Utimaco Safeware B.V.'s appeal was rejected the second time, Utimaco Safeware B.V. has undertaken a further appeal to the Hooge Raad, the highest Dutch civil court. On 11th June 2004 the Hooge Raad rescinded its second judgement and made a new assessment. We are currently not aware of the result of the new assessment. Utimaco Safeware B.V. has a bank guarantee covering over € 764,000 of these receivables which, according to Dutch law, is not enforceable until after the legal proceedings for tax liabilities have been concluded. If the proceedings go against Utimaco Safeware B.V., in the reassessment of its case in the higher court, this would lead to an reduction in equity capital equal to the value of the claimed amount of € 780,000. However, according to IAS, this would have no effect on the result for the current fiscal year or future fiscal years, since it would then later be necessary to add the full value of this item to the acquisition costs in 1997 and then completely write it off over the subsequent five year depreciation period until 2002.

(40) Trade payables

As in the previous year, the total amount, € 1.684 million (previous year: € 1.693 million), is due within one year.

(41) Other liabilities

€ 000	June 30, 2006	June 30, 2005
Employee remuneration	1,739	1,369
Revenue and other taxes	421	473
Income and church tax	264	247
Social security contributions	99	289
Miscellaneous	191	324
	2,714	**2,702**

(42) Provisions for taxation

Tax provisions cover the amounts that the group's companies owe in taxes. They equalled € 1.231 million (previous year: € 845,000).

(43) Provisions

The composition of provisions and their probable utilization are shown below:

€ 000	Balance as of July 1, 2005	Consumption	Reassignment	Resolution	Balance as of June 30, 2006	Probable drawdown
Vacation not yet taken	635	280	392	0	747	1st HY 2006/07
Other HR provisions	620	183	1,203	17	1,623	until FY 2008/09
Rights to claim	297	297	100	0	100	Q1 2007/08
Other	461	386	610	38	647	FY 2006/07
	2,013	**1,146**	**2,305**	**55**	**3,117**	

(44) Passive accruals and deferrals

Other deferred items mainly involve the deferral of servicing agreements for software for which invoices were sent in the period under review. They equalled € 5.123 million (previous year: € 3.771 million).

(45) Pension accruals

One (previous year: one) active employee and six former employees (previous year: six) of Utimaco Safeware AG (of whom six have vested claims) shall receive a pension for life upon leaving the company and reaching 65 years of age or as a result of inability to work. In the year under review, a pension was paid to three beneficiaries.

The pension amount set for each beneficiary is binding. The lifetime survivors' pension for the spouse of the beneficiary amounts to 2/3 of the pension.

The reserve amount recorded on the balance sheet key date for purely performance-oriented employer's pension commitments corresponds to the admissible cash value according to IAS. Pension obligations were calculated by an independent actuary.

The employer's pension commitment is not financed by means of an external pension fund. Expenditure for old age pensions amounted to € 42,000 in 2005/2006 (previous year: € 48,000).

No major actuarial profits or losses occurred.

Provisions for pensions have developed as follows:

€ 000	June 30, 2006	June 30, 2005
Cash value of pension obligation July 1, 2005	1,045	1,059
Deferred service costs	2	1
Interest expenditure on the obligation	41	50
Technical insurance-industry-specific profit/loss	0	-3
Paid entitlements to pension	-61	-61
Cash value of pension obligation June 30, 2006	**1,026**	**1,045**

The basic assumptions for determining the pension provisions are as follows:

%	June 30, 2006	June 30, 2005
Discount rate	4.75	4.0
Assumed future pension increases	1.5	1.5
Expected developments in wages and salaries	0.0	0.0

(46) Equity

The subscribed capital of € 14,745,449.00 (previous year: € 14,726,064.00) is divided into 14,745,449 shareholder shares (previous year: 14,726,064) with no nominal value.

Following a decision taken at the extraordinary general meeting on 1st August 2003 the capital stock was increased by the granting of a warranty bond of up to € 2,434,317.00. On the 8th September 2003 the warranty bond, with 1,719,535 option rights, was issued to Investcorp Technology Ventures L.P. (warranty bond 2003). From the 2003 warranty bond a total of 1,700,150 option rights were exercised in previous years and this number of individual share certificates was issued to the company at the issue price set in the terms of the warranty bond. As a result the authorized but unissued capital 2003/I equalled € 734,167.00 on the reporting date, 30th June 2005. This was recorded in the Commercial Register on 24th August 2005.

In the reporting year the remaining 19,385 option rights were exercised from the warranty bond of 2003, to date. To serve the exercised option rights, 19,385 individual share certificates were issued, at an individual issue price of € 2.31. The resulting increase in the subscribed capital from € 14,726,064.00 to € 14,745,449.00, and also the complete cancellation of the fixed capital sum 2003/I, were announced to the Commercial Register on the 31st July 2006. At the annual financial statement was being prepared, they had not yet been recorded in the Commercial Register.

Following a decision by the General meeting of the 26th November 2003, the Management Board was authorized, with the agreement of the Supervisory Board, to increase the capital stock one or more times, by the 31st October 2008, by issuing new owner shares against contributions, up to a maximum total of € 6,227,243.00. This was recorded in the Commercial Register on 4th February 2004. The Management Board decides with the approval of the Supervisory Board on the exclusion of the subscription right. However the exclusion of stock rights is only permitted,

- to implement one or more capital increases against capital subscribed in kind, especially in the context of acquiring companies or investments in companies in the area of information technology

- up to an increase in the capital stock totaling € 1,245,448.00, if in individual cases a capital increase occurs because of cash contributions that do not exceed ten percent of the capital stock and the output amount is not significantly less than the stock exchange price (§ 186 Para. 3 Sentence 4 AktG).

In the year under review an amount of € 27.001 million was taken from the capital reserves in accordance with § 150 AktG Para. 4 to balance the accumulated loss brought forward from the previous year, which was reduced by the year-end surplus. The capital reserves stem essentially from one amount worth € 29.014 million, arising from the increase in cash capital carried out in the context of the company's stock market launch in the fiscal year 1998/1999, and also from financing measures carried out in the fiscal years 2003/2004 and 2004/2005.

Following a decision by the General Meeting on the 24th November 2005, the capital stock was increased subject to a contingency to € 480,000.00 to fulfil obligations arising from a share option scheme. This new restricted capital 2005/I was recorded in the Commercial Register on 16th January 2006.

The Management Board and Supervisory Board will propose at the General Meeting that a dividend worth € 0.15 per share should be paid to the shareholders for fiscal year 2005/2006. The total amount would therefore be € 2.219 million.

(47) Warranty bond 2003

The warranty bond issued to Investcorp Technology Ventures L.P. by the company on the 8th September 2003 contains the acceptance of a loan for the total amount of € 3.439 million associated with 1,719,535 option rights, transferred to the owner. Option rights and loans are independent from each other and can be separated. The loan is subject to interest of 3.75% p.a. The term for the option rights and the loan are set up as follows:

- The option rights end seven years after the date on which the option rights were granted (the "option rights end date“). After the end date, all option rights can still be exercised over a time period of six months.

- The loan is due for repayment on the end date. The company can require the loan to be repaid in full, or in partial amounts of € 1 million, at any time, with a notification period of three months, without any termination penalty.

The terms of the warranty bond include anti-dilution protection. In accordance with the terms of this protection, the issue prices for the options are adjusted, to this lower price, among other things if shares are later issued at a price that is below the existing, pre-defined issue prices, but in no circumstances below the lowest issue price (§ 9 AktG).

The cash payment due to the company for each share if the option right is exercised ("issue price") is structured as follows:

- until December 31, 2004 € 1.70
- from January 1, 2005 until December 31, 2005 € 2.10
- from January 1, 2006 until December 31, 2006 € 2.31
- from January 1, 2007 until December 31, 2007 € 2.77
- from January 1, 2008 until the end of the runtime for the option rights € 3.32

The option rights can be exercised completely or partially, and repeatedly, at any time during the runtime for the option rights. Option rights are transferable. Shares issued when the option rights are exercised are entitled to a dividend from the start of the company's business year in which they are issued.

In a contract dated 2nd February 2004, Utimaco Safeware AG purchased a total of 300,000 option rights from the warranty bond from Investcorp Technology Ventures L.P., at a total price of € 150,000, and transferred them to the directors.

In the reporting year a total of 19,385 (previous year: 971,000) option rights were exercised. On the balance sheet date of 30th June 2006 the option rights still to be exercised numbered 0 (previous year: 19,385).

When the loan from the warranty bond was fully repaid on 23rd December 2003, a separate framework agreement was reached with Investcorp Venture L.P. concerning the possibility of Utimaco Safeware AG taking up a loan worth € 2.6 million. The maximum term of the loan framework agreement is the 5th September 2010, and it can be canceled prematurely by the lender if the borrower exceeds certain liquidity criteria. Due to the continued excellence of Utimaco's liquidity situation, the loan option was cancelled by the lender on 30th September 2004.

NOTES FOR THE CONSOLIDATED PROFIT AND LOSS STATEMENT

(48) Revenues

The realization of sales of standard products occurs upon delivery of the product or, in the area of individual software, upon completion of the projects. Sales are stated less VAT, and sales deductions as well as credit notes are recorded.

Sales generated in each product group were as follows:

€ 000	2005/2006	2004/2005
Licences	26,283	23,215
Maintenance	7,653	5,651
Hardware	5,565	2,658
Service	1,490	2,035
Miscellaneous	661	1,220
	41,652	**34,778**

(49) Cost of sales

The cost of sales breaks down as follows:

€ 000	2005/2006	2004/2005
Costs for purchased goods and services	2,132	2,005
Personnel costs	3,553	3,109
Depreciations	170	128
Miscellaneous cost of materials	1,407	1,223
	7,261	**6,465**

(50) Sales and marketing costs

Sales and marketing costs comprise:

€ 000	2005/2006	2004/2005
Personnel costs	10,749	8,224
Depreciations	245	204
Miscellaneous cost of materials	6,533	5,823
	17,527	**14,251**

(51) Research and development costs

Research and development comprise:

€ 000	2005/2006	2004/2005
Personnel costs	1,485	2,592
Depreciations	162	98
Miscellaneous cost of materials	935	961
	2,582	**3,650**

In the reporting year, development costs of € 3.885 million (previous year: € 902,000) were capitalized.

(52) General administration costs

Administration costs comprise:

€ 000	2005/2006	2004/2005
Personnel costs	3,032	2,740
Depreciations	265	233
Miscellaneous cost of materials	2,481	1,956
	5,779	**4,929**

(53) Other operating income

Other operating income consists of the following:

€ 000	2005/2006	2004/2005
Rental revenues	117	86
Profits on currency exchange	74	85
Income from the liquidation of allowances to account for bad debt	71	29
Resolution of provisions	85	37
Revenue from the writeoff of liabilities	0	84
R&D grant in Germany and Belgium	14	191
Subsequent claim for payment from rental agreement	122	0
Revenues from time-barred overpayments	82	0
Miscellaneous	303	220
	868	**731**

(54) Other operating expenditure

Other operating expenses break down as follows:

€ 000	2005/2006	2004/2005
Losses on currency exchange	52	20
Valuation adjustment on accounts receivable	200	133
Person-specific expenses	10	13
Miscellaneous	261	138
	523	**304**

(55) Financial result

The financial result in the fiscal year equalled € 432,000 (previous year: € 1,000). This amount includes interest income worth € 451,000 (previous year: € 279,000). The interest expenditure in the fiscal year equalled € 12,000 (previous year: € 273,000), which included a non cash-effective interest expenditure item worth € 263,000 from the loan option arranged in fiscal year 2003/2004, which had been retired.

The depreciation on financial assets in the fiscal year was € 7,000 (previous year € 4,000).

(56) Taxes on income

The disclosures on taxes on income are shown in the following:

€ 000	2005/2006	2004/2005
Actual tax yield/expenditure		
• of which in Germany	-644	-592
• of which outside Germany	-23	-225
Total actual tax yield/expenditure	-667	-817
Deferred tax yield/expenditure		
• of which in Germany	-600	971
• of which outside Germany	0	-71
Total deferred tax yield/expenditure	-600	900
	-1,267	**83**

The deferred tax yield for Germany contains € 900,000 (previous year: € 900,000) from the dissolution of valuation adjustments on deferred claims made under the tax relationship and also a passive latent tax expenditure item worth € 1.5 million, primarily arising from the capitalization of development costs.

€ 000	2005/2006	2004/2005
Result before taxes		
• Fed. Republic of Germany	10,851	6,836
• outside Germany	-1,554	-926
	9,297	**5,910**

Income taxes are composed of corporate income tax, the German solidarity surcharge, trade tax on income and their foreign equivalents. Deferred taxes are formed for all major temporary differences between the commercial and tax balance sheets in accordance with IAS 12.

In the fiscal year 2005/2006 valuation adjustments on deferred taxes of € 900,000 (previous year: € 900,000) were dissolved, affecting performance. Here, it was assumed that the group would achieve a taxable result in the next three years. However, appropriate deductions were made for risk, to account for uncertainty over how the market would develop over fiscal year 2006/2007.

In calculating the amount to be dissolved we took into account the new German minimum taxation regulation whose effect is to extend the offsetting of profit against accumulated tax losses brought forward over time.

In contrast the passive deferred taxes affected net income in fiscal year 2005/2006.

We also refer the reader to the information in section (38) "Deferred tax claims".

The effective tax rate in Germany (for corporate income tax, the solidarity surcharge and trade tax on income) for the company is 37.6 %, as it was in the previous year.

The reconciliation of the tax expenses at the effective tax rate in Germany (relating to the result before tax) to actual income tax expenses is shown in the following table:

€ 000	2005/2006	2004/2005
Net income before taxes on income	+9,297	+5,910
Group profit tax rate	37.6%	37.6%
Expected tax yield	-3,496	-2,222
Tax effect on (permanently) nondeductible operating expenses minus tax-free revenues	+271	+72
Difference from foreign profit tax rates	-90	-128
Tax effects due to permanent differences in consolidation postings	+480	+753
Tax effects arising from the use of accumulated losses brought forward	+1,251	+1,021
Valuation adjustment for outstanding deferred taxes from accumulated tax losses carried forward	-574	-373
Change to accumulated losses brought forward	+900	+971
Other	+1	-11
Actual tax expenditure/yield	**-1,267**	**83**

(57) Result per share

In accordance with IAS 33 the result per share was determined using the weighted average number of shares. The calculation was based on the annual income in third-party shares. In fiscal year 2005/2006, the weighted average number of shares for determining the undiluted and diluted earnings per share was:

Number of shares	2005/2006	2004/2005
Weighted average – undiluted	14,732,596	14,386,421
Weighted average – diluted	15,174,600	14,745,449

The result per share in accordance with IAS 33 in the previous fiscal year was:

€	2005/2006	2004/2005
Result per share – undiluted	0.55	0.42
Result per share – diluted	0.53	0.41

SEGMENT REPORTING

The markets in which Utimaco is active vary with regard to their customer requirements and technologies. In addition the markets are at different stages of maturity. Consequently there are differences both in their development processes and the methods they use for serving the market. To address its different markets effectively the company is organized in divisions. Primary segment reporting is performed on the basis of the divisions, and secondary segment reporting is performed according to geographical criteria. This corresponds to the structure of the sales organization and internal reporting.

Primary Segment Reporting

Utimaco is organized in two segments (divisions) for the purpose of company management.

Personal Device Security

The Personal Device Security division product business develops, markets and sells professional software security products for protecting data against unauthorized access and manipulation on personal devices such as desktops, notebooks, PDAs, smartphones and in networks. It sells its products both directly and indirectly.

Transaction Security

The Transaction Security division develops security solution for trustworthy digital business processes. The own technologies used comprise of security gateways, digital signatures, telecommunications management systems and hardware security modules, in which cryptographic services are give optimum protection in a secure hardware environment.

In the section below, external income as well as income between the segments are presented. The basis for offsetting deliveries and services between the segments is the valid price applied to customers.

€ 000	Personal Device Security 2005/06	PY	Transaction Security 2005/06	PY	Elimination/ General 2005/06	PY	Total 2005/06	PY
External revenues	32,642	26,707	9,009	8,073	0	-1	41,652	34,778
Income between segments	0	0	762	740	-762	-740	0	0
Total revenues	**32,642**	**26,707**	**9,772**	**8,812**	**-763**	**-741**	**41,652**	**34,778**
Merchandise sold	-1,573	-1,696	-1,348	-1,054	789	744	-2,132	-2,005
Depreciations	-391	-274	-180	-148	-271	-241	-842	-663
Operating costs	-22,892	-18,329	-5,646	-4,635	-5,523	-4,566	-34,061	-27,530
SW capitalization	3,885	902					3,885	902
Segment result	**11,672**	**7,310**	**2,599**	**2,976**	**-5,768**	**-4,804**	**8,502**	**5,482**
Other operating income							868	731
Other operating expenditure							-523	-304
Result from ordinary operations							**8,847**	**5,909**
Income from affiliated companies							18	0
Financial result							431	1
Result before taxes							**9,297**	**5,910**
Taxes on income							-1,267	83
Result after tax and before allowance made for minority interests							**8,029**	**5,994**
Minority interests							0	0
Result after tax and after allowance made for minority interests							**8,029**	**5,994**
Assets	**16,632**	**11,482**	**4,313**	**4,350**	**31,345**	**24,664**	**52,291**	**40,496**
Debts	**9,597**	**7,707**	**1,538**	**1,353**	**5,180**	**3,481**	**16,315**	**12,541**
Investments								
• Intangible assets	4,027	1,081	19	22	167	142	4,212	1,246
• Property, plant and equipment	505	363	133	122	152	332	790	818
• Financial assets	–	–	–	–	–	–	–	–

Secondary Segment Reporting

Sales are presented as follows, by geographical region, for the purpose of secondary segment reporting:

	2005/2006 € 000	2005/2006 %	2004/2005 € 000	2004/2005 %
Germany	22,682	54	20,348	59
Europe	10,501	25	10,121	29
Americas	6,675	16	2,997	9
Rest of the world	1,793	4	1,313	4
	41,652	**100**	**34,778**	**100**

The table below shows the book values related to the sales segments, and also the related investments in intangible assets and property, plant, equipment:

€ 000	Book value of segment asset 2005/2006	2004/2005	Investments in intangible assets and property, plant and equipment 2005/2006	2004/2005
Germany	12,950	9,695	4,331	1,252
Europe	5,084	5,067	269	226
Americas	2,425	1,069	79	110
Rest of the world	486	0	5	0
Total segments	**20,945**	**15,832**	**4,684**	**1,589**
General	30,045	24,664	319	475
Total assets	**50,991**	**40,496**	**5,003**	**2,063**

NOTES FOR THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the Utimaco group's cash flow situation changed during the year under review through cash inflows and outflows. In the statement, cash flows from operating, investing and financing activities are shown separately. The cash resources reported in the statement of changes in the financial position include cash in hand, checks, and credit balances at credit institutions.

Cash resources consist exclusively of cash in hand and current account bank credit with daily availability, and also securities provided they are considered cash equivalents, as defined in IAS 7. No major changes occurred to these liquid assets as a result of exchange rate fluctuations.

Changes to other non-payable items

In accordance with IAS 7, non-payable transactions are shown separately in the calculation of the cash flow result.

OTHER DISCLOSURES

(58) Share-based payment for staff

Following the approval of a share option scheme at the General Meeting on the 24th November 2005, an initial tranche of 230,000 option rights were granted in the reporting period. Of these, 150,000 option rights were granted to staff members and 80,000 option rights were granted to the Management Board.

	Options Staff	Options Management Board	Options total
Balance as of July 1, 2005	**0**	**0**	**0**
Granted during the fiscal year	150,000	80,000	230,000
Balance as of June 30, 2006	**150,000**	**80,000**	**230,000**

These options can be exercised, provided the prerequisites for exercising them are met, for a time period of three years from February 2009.

The option striking price for both staff options and options for the board of directors equals € 6.51 per share. The particular options can only be exercised under these prerequisites:

- if, during the twelve months before the expi ration of the relevant option, the weighted average domestic listed share price for the company's shares (average price as defined in § 5 of the WpÜG-Angebotsverordnung, German Securities Acquisition and Takeover Act, Offer Ordinance), is at least 10% higher, on at least one day, than the reference share value and,
- at the same time, the difference between the reference share value and the share value as defined in the bullet point above is, in percentage terms, at least as large as the difference for the particular closing value of the DAX shares index on the day(s) concerned.

The reference share value is the weighted average domestic listed share price of the company's share (average price as defined in § 5 of the

German WpÜG-Angebotsverordnung) on the day of the General meeting before the issuing of the options concerned. The reference share value for the options in the first tranche equals € 8.09.

By contrast, directors holding options for the Management Board can exercise them after only two years, at the earliest, after they have been granted, and regardless of whether the targets described above have been achieved, if one shareholder or a combined group of shareholders, hold the majority of shares in the company ("change of control").

In accordance with IFRS 2, at the time they were issued, the value of an option in the first tranche was determined using the Black-Scholes model. This value equalled € 4.26. The parameters for the Black-Scholes model were as follows:

- Basic price € 6.51
- Expected time to maturity 3.5 years
- Weighted average price when granted € 9.6780
- Implied volatility 40%
- Expected dividends over the runtime period € 0.4317
- Risk free interest rate over the expected runtime period for the options 3.5%

The expected volatility was assumed to equal 40%. This approximately equals the 1-year volatility at the time the options were issued. The expected time to maturity used in the model was set according to the best estimate of the corporate management, taking into account influences arising from non-assignability and the set restrictions on exercising the options.

The approved capital for serving the option rights, agreed at the General meeting on the 24th November 2005, equalled € 480,000.

(59) Relationships with Related Parties

In addition to the companies already included in the consolidated financial statements the following companies and persons are related to Utimaco Safeware AG according to IAS 24:

- Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum
- Utimaco Safeware Asia Ltd., Hong Kong
- Investcorp Technology Ventures L.P. (shareholder represented by Hazem Ben-Gacem, member of the Supervisory Board until the 14th June 2006)
- Rechtsanwälte Kraske Härtel, Munich, Germany, (Bernd Schroeder is a partner in the lawyer´s office Kraske Härtel, Munich, Germany and a member of the Supervisory Board until the 24th November 2005)

There were no net liabilities to related parties on the balance sheet date.

There were the following liabilities to related parties:

€ 000	June 30, 2006	June 30, 2005
Dr. Horst Görtz, Neu-Anspach (Supervisory Board fee)	0	14
Kraske Härtel, Munich	7	12
Investcorp Technology Ventures L.P.	0	2
	7	**28**

In the last fiscal year the following transactions took place with related companies and persons:

€ 000	Investcorp	Utimaco Asia Ltd.	Kraske Härtel
Purchase of…	11	–	4
Sales to…	–	387	–

Transactions with related companies and people took place at usual market prices and conditions.

(60) Group auditor fees reported as expenses

In fiscal year 2005/2006 fees totalling worth € 111,000 were paid to the auditing and tax consulting company PKF Pannell Kerr Forster GmbH, Frankfurt am Main, Germany. This sum was broken down as follows:

Fee for in € 000	2005/2006
Audit	84
Other certification or assessment services	20
Tax consulting services	5
Other services	2
Total	**111**

The fees for auditing primarily involve the fees for auditing the consolidated financial statement and for auditing the annual financial statement for Utimaco Safeware AG. The fees for other certification or assessment services primarily involve the fees for auditing in connection with the implementation of new IT systems.

(61) Financial instruments

a) Risk that interest rates may change

The company implements no financial instruments to hedge against changes in interest rates.

b) Exchange rate risks

The company uses no exchange futures to reduce the risks involved in changes in exchange rates.

c) Liquidity risk

Liquidity risks occur through the possibility that customers are not able to meet their obligations towards the company in the context of normal trading conditions. To control this risk the company periodically assesses its customers' ability to pay.

Risks of non payment, i.e. risks that contractual partners do not meet their financial obligations, are controlled by handling credit agreements, setting upper limits and implementing control procedures.

d) The accompanying current market value of financial instruments

Financial tools, which are in normal business conditions, retained until they expire, are recorded as part of the trading or redemption value, depending on what is appropriate. The recorded value is referred to in the text that follows as a book value.

The accompanying current market value is defined as the amount for which the instrument concerned could be exchanged in a current transaction (excluding forced disposals or liquidations) between expert, willing contractual parties who are independent from one another. Accompanying current market values are, depending on their cost, are calculated using market prices listed on the stock exchange, and the analysis of discounted cash flow or option price models.

To estimate the current market value of the individual classes of financial instruments, the following procedures and assumptions are used:

Cash and cash equivalents, current investments and other fixed assets

The book value of liquid assets and other financial assets is very close to the current market value due to the relatively short-term due date of these financial tools. Where no stock exchange prices are available, the current market value of publicly-sold financial tools are estimated on the basis of the prices listed on the stock exchange for assets of the same or similar type. For all other financial instruments whose market price is not listed on the stock exchange, a reasonable estimate of the current market value has been calculated. This estimate is based on the expected cash flow or on the net assets on which each asset is based.

Short-term loans

The book value is very close to the current market value due to the relatively short-term due date of these financial tools.

Long-term loans

The accompanying current market value of long-term loans is based on the exchange market price for the same or similar type of credit expenses or the currently-available interest rates on borrowed capital with the same type of due date. The accompanying current market value of long-term credits, loans and other obligations with variable interest rates are very close to the book values of these financial instruments.

(62) Contingencies and potential risks

The company, and its Dutch subsidiary Utimaco Safeware B.V., are pursuing separate lawsuits in the Netherlands that have arisen from the acquisition of all the shares in the current subsidiary, Utimaco Safeware B.V., by the company in 1997.

Utimaco Safeware B.V. has legally enforceable receivables to the value of € 780,000 against the person who sold their shares in the company at that time. After Utimaco Safeware B.V.'s appeal was rejected the second time, Utimaco Safeware B.V. has undertaken a further appeal to the Hooge Raad, the highest Dutch civil court. On 11th June 2004 the Hooge Raad rescinded its second judgement and made a new assessment. We are currently not aware of the result of the new assessment.

As part of the previously-undertaken proceedings, each of the plaintiffs have take out surety payments to provide legal protection. The continuation or cancellation of these payments also depends on the legal proceedings in the Netherlands. To sum up, in this context, the seller of the shares is claiming around € 1.2 million damages from Utimaco Safeware AG, on the basis that they have suffered commercial disadvantages by being forced to arrange the surety payment, without justification. Utimaco Safeware AG considers these claims for damages to be unjustified, but has provided for what it considers to be a reasonable amount, in its risk provisions.

Additionally the seller has made the reassignment of the associated company involved, Utimaco Safeware B.V., Netherlands, enforceable as the result of a second legal proceeding held during the reporting year. Utimaco also considers this claim to be unjustified and legally not enforceable.

If the proceedings go against Utimaco Safeware B.V., in the reassessment of its case in the higher court, this would lead to an reduction in equity capital equal to the value of the claimed amount of € 780,000. However, according to IAS, this would have no effect on the result for the current fiscal year or future fiscal years, since it would then later be necessary to add the full value of this item to the acquisition costs in 1997 and then completely write it off over the subsequent five year depreciation period until 2002.

(63) Other financial obligations

On the balance sheet date there were obligations from long-term rental and lease agreements of € 8.215 million (previous year: € 7.725 million). Of these, due within one year € 1.923 million (previous year: € 1.838 million), due within two to five years € 5.959 million (previous year: € 4.778 million), and due after five years € 0.333 million (previous year: € 1.108 million). The obligations primarily result from agreements for buildings, cars, IT systems and office machines. In the year under review the expenditure on rental and lease agreements equalled € 2.351 million (previous year: € 1.986 million).

(64) Number of staff

The company employed an average of 239 persons during 2005/2006 (previous year: 213). Personnel expenses equalled € 18.820 million (previous year: € 16.665 million) in the fiscal year 2005/2006.

(65) Corporate Governance

The Management Board and Supervisory Board of Utimaco Safeware hereby declare their compliance with the German Corporate Governance Codex and have made it permanently accessible to its shareholders on the company's website.

(66) Management Board

The members of the Management Board in the fiscal year were as follows:

Martin Wülfert, Chairman of the Management Board
Oberursel, Germany

Christian Bohne, Member of the Management Board
Bad Homburg v.d.H., Germany,
Other positions:
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, Germany, Chair of the Supervisory Board since 14th December 2005, prior to that Member of the Supervisory Board.

Remunerations to the Management Board contain both fixed and variable parts. Members of the Management Board receive the following as a fixed remuneration: a monthly salary, social security contributions, a direct insurance premium payment equalling the current legally-defined maximum income tax lump sum amount, as defined in § 40b EstG (Einkommensteuergesetz: German income tax law), and also a company car which is also for personal use.

Members of the Management Board received a variable remuneration of an annual bonus that was calculated on the basis of individually-defined annual targets. In addition, in the fiscal year 2004/2005, a 3 year bonus program was introduced, which is based on the growth and targets of the Utimaco group for the business years 2004/2005 through 2006/2007. The 3 year Bonus Program will be calculated at the end of the 2006/2007 fiscal year on the basis targets that have been achieved by then. The predefined annual and long-term targets cannot be changed retrospectively.

The total remuneration paid to the Management Board in the reporting year equalled € 1.034 million (previous year € 859,000).

Total remuneration is divided between fixed and variable remuneration as follows:

€ 000	2005/2006	2004/2005
Fixed remuneration	407	397
Variable remuneration	627	462
	1,034	**859**

Variable remuneration includes a provision for expenditure worth € 477,000 (previous year: € 239,000) to cover the long-term cost of the 3 year bonus program.

As of June 30, 2006 the actuarial value of pension grants to former members of the Management Board amounted to € 476,000 (previous year € 486,000). Pensions amounting to € 43,000 (previous year: € 43,000) have been paid to former members of the Management Board.

(67) Supervisory Board

The following persons were members of the Supervisory Board during the fiscal year:

Helmuth Coqui, Neubiberg, Germany, Chairman of the Supervisory Board
Company consultant

Prof. Dr. Manfred Schlottke, Munich, Deputy Supervisory Board Chairperson
Business consultant for information and communications technology
Other positions:
Aereon AG, Mainz, Germany, Member of the Supervisory Board
Norcom Information Technology AG, Munich, Germany, Member of the Supervisory board

Hazem Ben-Gacem, London, England (until 14th June 2006)
Partner Investcorp Technology Ventures L.P.
Other positions:
InfoNXX Inc., New York, USA, Member of the Supervisory Board
Mania Technologie AG, Weilrod, Germany, Member of the Supervisory Board
Trema Group, the Netherlands, Member of the Supervisory Board
Wireless Telecom Group Inc., Parsippany, USA, Member of the Supervisory Board

Geralt Goder, Kelkheim, Germany (until 24th November 2005)
Businessman
Other positions:
OptoTech Optikmaschinen GmbH, Wettenberg, Germany, Member of the Supervisory Board
Intelligent Crop Forecasting GmbH, Darmstadt, Germany, Member of the Supervisory Board

Bernd Schroeder, Munich, Germany (until 24th November 2005)
Lawyer

Prof. Dr.-Ing. Heinz Thielmann, Heroldsberg, Germany
Managing Director of EMPHASYS GmbH, Heroldsberg, Germany
Other positions:
Hessische Lotto-Treuhand GmbH, Wiesbaden, Germany, Member of Supervisory Board
Iteratec GmbH, Munich, Germany, Member of the Advisory Board
Mania Technologie AG, Weilrod, Germany, Member of the Supervisory Board
Mosaic Software AG, Meckenheim, Germany, Member of the Supervisory Board
MVC Mobile VideoCommunication GmbH, Frankfurt, Germany, Chair of Advisory Board

Julius L. Marcus, Davenport, USA (since 24th November 2005)
Business Consultant

Hans Strack-Zimmermann, Schliersee, Germany (since 24th November 2005)
Other positions:
Brainloop AG, Munich, Germany, Chair of the Supervisory Board
Update Software, Vienna, Austria, Member of the Supervisory Board

In the reporting year, remunerations to the Supervisory Board equalled € 137,000 (previous year: € 76,000), of which the variable part equalled € 69,000 (previous year: € 0).

Oberursel, September 2006

Martin Wülfert	Christian Bohne
Chairman of the Management Board	Chief Financial Officer

Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by the Utimaco Safeware AG, Oberursel, for the fiscal year from 1st July, 2004 to 30th June, 2005. The preparation and the content of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance that the consolidated financial statements are free of material misstatements. Knowledge of the fiscal activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Utimaco Group for the fiscal year in accordance with the International Financial Reporting Standards (IFRS).

Our audit, which also extends to the group management report for the fiscal year from July 1, 2004 to June 30, 2005 has not led to any reservations. In our opinion, group management report taken as a whole, provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the fiscal year from July 1, 2004 to June 30, 2005 satisfy the conditions required for the exemption of the Company from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Without qualifying this opinion we refer to the discussion in the notes. There is pointed out in section VII, "Contingent liabilities and commitments" that, there are uncertainties due to a lawsuit of the dutch subsidiary Utimaco Safeware B.V. with the former shareholder relating to the purchase of the shares in 1997.

Frankfurt am Main,
28th September 2006

PKF Pannell Kerr Forster GmbH
Wirtschaftsprüfungsgesellschaft

signed
W. Hofmann
Wirtschaftsprüfer
(Public Accountant)

signed
R. Brinskelle
Wirtschaftsprüfer
(Public Accountant)

Corporate Governance Report

The aim of the German Corporate Governance Codex is to make recommendations and suggestions to ensure responsible company management that is transparent for shareholders and the public. The German Corporate Governance Codex currently contains over 70 recommendations, concerning which a company must annually issue a declaration stating whether it complies with them or not, in accordance with § 161 Aktiengesetz (German Stock Corporation Law). Utimaco Safeware AG's declaration of conformity on the basis of the new Codex of 12th June 2006 was approved in the Management Board and Supervisory Board meeting of 21st September 2006 and published on the Utimaco website. According to this declaration Utimaco complies with the Codex's main regulations, with the following exceptions:

Variations from the Corporate Governance Codex

- **Agreement about a possibility of limitation (Cap) for extraordinary unforeseen developments (4.2.3 paragraph 3 sentence 4)**

  The stock option program, which was authorized during the Annual General Meeting on November 24, 2005, does not consider a possibility of limitation (Cap) for extraordinary, unforseen developments.

- **Individualized Disclosure of the compensation of the members of the Management Board (4.2.4)**

  This recommendation has not yet been implemented. However, Utimaco Safeware reports the total (fixed and variable) compensation received by the members of the Management Board in the Notes to the Financial Statements. From the financial year 2006/2007 on, the compensation will be disclosed in an individualized manner – in accordance with the German Law on the Disclosure of the Compensation of Members of the Board of Management (Vorstandsvergütungsoffenlegungsgesetz – VorstOG) and the German Commercial Code (Handelsgesetzbuch – HGB).

- **Specification of an age limit for members of the Management Board (5.1.2 paragraph 2 sentence 3) and for members of the Supervisory Board (5.4.1 sentence 2)**

  Utimaco Safeware has not implemented an age limit for members of the Management Board and members of the Supervisory Board, as the Code recommends. In Utimaco Safeware's view such limitation would not represent a suitable selection criterion restriction and would unfairly restrict Supervisory Board's respectively shareholders' voting rights.

- **Elections to the Supervisory Board on an individual basis (5.4.3 sentence 1)**

  In contrast to the recommendation of the Code Utimaco Safeware reserves the right to propose to and execute in the shareholders` meeting elections to the Supervisory Board as a vote on a list basis.

- **Individualized Reporting of remunerations received by members of the Supervisory Board (5.4.7 paragraph 3)**

  An individualized reporting of the remuneration received by members of the Supervisory Board is not yet provided in the Corporate Governance Report.

- **Interim reports shall be publicly accessible within 45 days of the end of the reporting period (7.1.2 sentence 3)**

  Utimaco Safeware does not comply with this recommendation. The company complies with the relevant stock exchange requirement, which considers a period of two months as sufficient and appropriate to keep shareholders and investors informed about current business developments.

Publication of Director's Dealings in accordance with § 15a WpHG (German securities trade act)

In the last financial year Utimaco has published on its website announcements about the purchase or sale of company shares or of financial instruments relating to it, especially derivatives, by the company's Management Board and Supervisory Board members or other people with management responsibilities, who have regular access to the company's in-house information and are authorized to make major commercial decisions on behalf of the company, and also by particular people who stand in a close relationship with them, in a timely way.

In the reporting period the following announcements about Director's Dealings were published on Utimaco's website:

Person obliged to notify	Reason for notification	ISIN	Financial instrument	Transaction	Date of transaction	Place	Price in €	Pieces	Value of transaction in €
Geralt Goder	Member of the Supervisory Board	DE0007572406	Share	selling	July 20, 2005	Frankfurt	7.10	2,000	14,200.00
MBG H Mittelständische Beteilungsgesellschaft Hessen mbH	Legal person in close association	DE0007572406	Share	selling	July 22, 2005	off-exchange	7.85	50,000	392,500.00
Geralt Goder	Member of the Supervisory Board	DE0007572406	Share	selling	September 9, 2005	Frankfurt	8.60	3,000	25,800.00
Helmuth Coqui	Chairman of the Supervisory Board	DE0007572406	Share	buy	September 30, 2005	Frankfurt	7.60	5,000	38,000.00
Bernd Schroeder	Member of the Supervisory Board	DE0007572406	Share	selling	October 4, 2005	Frankfurt	7.92	5,000	39,600.00
Bernd Schroeder	Member of the Supervisory Board	DE0007572406	Share	selling	October 4, 2005	Xetra	8.42	5,000	42,100.00
Bernd Schroeder	Member of the Supervisory Board	DE0007572406	Share	selling	October 4, 2005	Xetra	8.46	3,000	25,380.00
Martin Wülfert	Chairman of the Management Board	DE0007572406	Share	selling	February 23, 2006	off-exchange	9.10	80,000	728,000.00
Christian Bohne	Member of the Management Board	DE0007572406	Share	selling	February 23, 2006	off-exchange	9.10	80,000	728,000.00
Martin Wülfert	Chairman of the Management Board	DE0007572406	Share	purchase from exercise of options	February 28, 2006	off-exchange	2.31	15,385	35,539.35
Christian Bohne	Member of the Management Board	DE0007572406	Share	purchase from exercise of options	February 28, 2006	off-exchange	2.31	4,000	9,240.00
Helmuth Coqui	Member of the Supervisory Board	DE0007572406	Share	selling	March 2, 2006	Frankfurt	9.53	2,000	19,060.00
Martin Wülfert	Chairman of the Management Board	DE0007572406	Share	selling	June 8, 2006	off-exchange	9.95	35,000	348,250.00
Christian Bohne	Member of the Management Board	DE0007572406	Share	selling	June 8, 2006	off-exchange	9.95	40,000	398,000.00

Report of the Supervisory Board

Dear shareholders,

In the fiscal year 2005/2006 the Supervisory Board has kept itself fully up to date about the current activities and plans of the company and the Utimaco Safeware group by means of regularly verbal and written reports from the Management Board, and in four joint meetings with the Management Board, in which the Supervisory Board was able to question the Management Board about important company management issues. In doing so the Supervisory Board was able to provide the Management Board with advice while also monitoring the effectiveness with which the Management Board managed the company, and ensuring that it discussed any variations of actual business processes from plan, and the reasons for this, in detail, in meetings with the Management Board. The Management Board has informed the Supervisory Board about important business transactions, other reportable events and the measures it has implemented for risk management, as well as about commercial risks of which it became aware. In the year under review the Supervisory Board's work mainly involved consulting on important development plans and on further expanding the company in its export markets. In addition the Management Board and Supervisory Board have worked closely together to define the company's strategy for the future.

Members of the Supervisory Board

At the end of the General Meeting on the 24th November 2005 the tenure of Supervisory Board members Helmuth Coqui, Prof. Dr. Manfred Schlottke and Bernd Schroeder came to an end. In addition, Supervisory Board member Gerald Goder declared his decision to step down at the end of the same General Meeting.

In the same General Meeting Helmuth Coqui and Prof. Dr. Manfred Schlottke put themselves forward for re-election and were re-elected until the General Meeting that ends fiscal year 2009/2010. In addition, during the General Meeting, Hans Strack-Zimmermann and Julius Leslie Marcus were elected to the Supervisory Board for the same period of tenure.

On the same day the Supervisory Board held a meeting at which it elected Helmuth Coqui Supervisory Board chairperson and elected Prof. Dr. Manfred Schlottke as his deputy.

Hazem Ben-Gacem, member of the Supervisory Board, and Savio W. Tung, stand-in member of the Supervisory Board, both left office with effect from the 14th June 2006. It is planned to elect a new member of the Supervisory Board in the next General Meeting.

Work of the Committees

The Supervisory board has set up an Auditing Committee and an Employees Committee. In the year under review the Auditing Committee met once. It focused on the basis and methods for accounting principles used in both the company and the group and set the budget for the auditor's services.

In this reporting year, the Staffing Committee met twice and, in particular, prepared the groundwork for the share option scheme, which had been approved in the General meeting on the 24th November 2005.

The Supervisory Board as a whole was kept informed of the meetings held by these committees, and the results of consultations.

Corporate Governance

The Supervisory Board is involved in the further development of the fundamentals of Corporate Governance throughout the company and issued a new Declaration of conformity in September 2005 on the basis of the German Corporate Governance Codex, version of 2nd June 2005. Following the year under review, in September 2006, the Management Board and Supervisory Board released a new Declaration of conformity. This was based on the latest version of the German Corporate Governance Codex of 12th June 2006. It has been published in the Corporate Governance section of the annual report and on the Utimaco website, www.utimaco.de. The Supervisory Board also dealt with improving the efficiency of supervisory board its own operations.

Annual and consolidated financial statement, audit

The auditors selected by the General Meeting, and appointed by the Supervisory Board, PKF Pannell Kerr Forster GmbH, auditing firm, Frankfurt am Main, Germany, audited the annual financial report to the 30th June 2006, created in accordance with the guidelines of the German trade regulations (Handelsgesetzbuch), the consolidated financial statement for the company to the 30th June 2006, created in accordance with the accounting rules defined in the IFRS (International Financial Reporting Standards), and the Management Board's financial report and consolidated financial report for the fiscal year 2005/2006, and give them their unqualified audit opinion.

Following suitable preparation by the Auditing Committee, the Supervisory Board has checked the annual financial statement for the company, consolidated financial statement, the financial report and the corporate financial report, issued by the Board of Management for the fiscal year 2005/2006. The two responsible qualified auditors from the auditing firm participated in the audit and detailed discussion. They gave the Supervisory Board a verbal report of the main results of the audit. The Supervisory Board has discussed the documents mentioned, and the auditor's opinion, with the representatives of the auditing firm and the Management Board and approved the documents. The Supervisory Board hereby declares it has no reservations about the documents it has audited, after completing the audit. Neither does the Supervisory Board see any reason to dispute the auditor's audit reports. Following a decision by the Management Board, an amount of € 2,317,003.96 was taken from the year-end surplus of € 4,528,821.31 achieved in fiscal year 2005/2006 and moved to other profit accruals. The Management Board and Supervisory Board propose that the remaining retained earnings, worth € 2,211,817.35, should be distributed among the shareholders through the payment of a dividend of € 0.15 per share.

The annual financial report to the 30th June 2006 is accordingly approved. The Supervisory Board also approves the financial report for the fiscal year 2005/2006.

The Supervisory Board would like to thank all national and international employees of the Utimaco Safeware Group, and also the members of the Management Board, for their performance and achievements in the year under review.

Oberursel, September 2006

For the Supervisory Board

Helmuth Coqui
Chairman of the Supervisory Board

Financial Calendar

Event	Date
Report on the first quarter 2006/2007	November 2006
Annual General Meeting	November 17, 2006
Report on the half year figures 2006/2007	February 2007
Report on the first nine months 2006/2007	May 2007
DVFA analyst conference	September 2007
Press conference on financial statements 2006/2007	September 2007

Publishing Information

Publisher
Utimaco Safeware AG

Concept and Design
wagneralliance Werbung GmbH

Lithography
Lots of Dots MediaServices GmbH

Printing
W. B. Druckerei GmbH

Production
wagneralliance Werbung GmbH