360°

Annual Report 2006/2007

utimaco
safeware

360° Data Protection

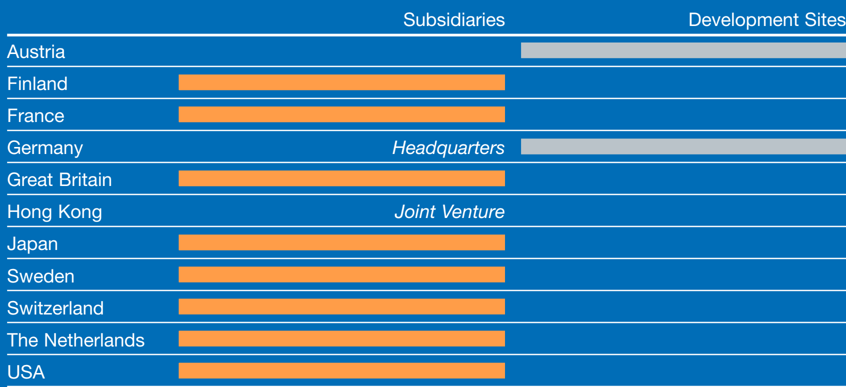
Leading industry analysts are saying that the market for data security solutions will change as a result of increasing legal requirements and growing risks. Instead of end-point solutions, companies will increasingly demand solutions that take a holistic approach to data security, in the future. To ensure we are well prepared for this dynamic market we have developed a new product generation: SafeGuard Enterprise – a modular security platform that can be extended to provide full 360° data security based on the latest industry standards. With this investment offensive we have created the basis for taking a leading position in the expanding market for data security solutions.

Overview of Key Figures

€ million	2006/2007	2005/2006
Revenue	49.4	41.7
Cost of Sales	-5.9	-7.3
EBITDA	10.5	9.7
EBIT	8.5	8.9
Net profit	6.3	8.0
Earnings per share (in acc. with IAS) – undiluted (in €)	0.43	0.55
Earnings per share (in acc. with IAS) – diluted (in €)	0.41	0.53
Total assets	61.2	51.0
Equity	40.5	36.0
Operating cash-flow (in acc. with IAS)	9.3	11.4
Employees (average over the year)	276	239

Content

Utimaco Group



Utimaco Safeware AG – The Data Security Company.

Utimaco is a leading provider of data security solutions. The Data Security Company enables mid- to large-size organizations to safeguard their data assets against attacks and to comply with privacy laws by protecting their confidentiality and integrity. In response to twenty-first century threats Utimaco's complete range of data security solutions provide full 360 degree data protection unlike point solutions which only partially cover the data security needs of enterprises. Only SafeGuard solutions protect and manage data during storage (data at rest), during transmission (data in motion) and during processing (data in use). Utimaco offers its customers comprehensive on site support via a world-wide network of certified partners and subsidiaries in Europe, the USA and Asia. Utimaco Safeware AG, with headquarters in Oberursel, near Frankfurt, Germany, is listed on the Frankfurt Stock Exchange (ISIN DE0007572406).

utimaco®
safeware

Foreword by the Management Board

Dear shareholders, friends and business partners of Utimaco,

In the last fiscal year we concentrated our focus on completing and launching the SafeGuard Enterprise security suite, our new product generation and the largest development project in our company's history. At CeBIT in March 2007 we achieved our aim, according to plan, by launching a fully market-ready version of the central management console and the first SafeGuard Enterprise module. Alongside our existing product portfolio we can now offer our customers a modular, extendable data security platform that complies with the very latest industry standards. This will be followed by a range of additional modules to meet other security requirements currently covered by stand-alone Utimaco products. In the medium term, SafeGuard Enterprise will replace most of the existing SafeGuard products and will serve as the platform for future developments and extensions to our company's product range.

Our investment strategy of the past two fiscal years has created the base from which we can now move forward to take a leading position in the expanding market for data security solutions. In fiscal year 2006/2007 we achieved our aim of continued, profitable growth in this fast-moving market, with our current product portfolio. Our revenue grew by 19% to € 49.4 million. Despite a noticeable reduction in the positive effect on earnings caused by the capitalization of software, and the beginning of the amortization of capitalized development costs, we achieved an operating result of € 8.5 million and a positive operating cashflow of € 9.3 million.

In the last fiscal year we secured the first major order for SafeGuard Enterprise, our new security suite. Due to the usual sales cycles of nine months, SafeGuard Enterprise has, as expected, not yet delivered a significant contribution to sales revenues. For this reason we are very satisfied with the continued pleasing development of revenues generated by the other products of the SafeGuard family, which grew by 26%. However, less business was generated with our CryptoServer hardware security module than in the previous year as we were not able to fully compensate for a large order by a German toll consortium in the previous year.

This also affected revenue development in the region Germany which saw a slight decline of 4% compared to last year's high level. In Europe outside Germany last year's growth rate of 4% increased considerably to 28%. To further strengthen our market position in this region, we acquired all the shares in our former French sales partner, Utimaco Safeware France S.A. Our new French subsidiary already has a substantial list of well-known customers such as Airbus, Alcatel, Banque de France and Sanofi-Aventis. Revenues continued to show strong growth in the Americas region, increasing by around 66% to € 11.1 million. This represents an increase in this region's contribution to group revenues to 22%.

Our consistent focus on indirect sales via OEM partners and resellers continued and expanded throughout the past fiscal year. The share of total revenues generated from indirect sales grew from

57% in the previous year to 72%. Our major OEM partnership with Siemens which is important for the success of our Lawful Interception Management systems (LIMs) and CryptoServer will be continued by Nokia Siemens Networks (NSN), the new German/Finnish joint venture. Our cooperation with Huawei, a rapidly expanding Chinese telecommunications provider, which now offers our LIMS solution to its customers world-wide, has already showed its first fruits.

We have also continued extending our technology partnerships. At the start of 2007, our close cooperation with Microsoft resulted in a strategic partnership with the aim of integrating the Windows Vista BitLocker feature in SafeGuard Enterprise's central management system. As part of a new cooperation with Intel, the technology used in our SafeGuard solutions and the new generation of Intel processors has been specially tailored so that they complement each other. The next step will be for our solutions to be made available for sale by Intel's resellers and OEM customers.

In fiscal year 2007/2008 we want to continue expanding our technology and sales partnerships with the focus on gaining new integration partners who can offer SafeGuard Enterprise as part of comprehensive data security concepts and also provide the services associated with this. As before, we expect to see the greatest impulses for growth to come from the US market, where we want to further improve our market position with our new product generation. The availability of a Japanese language version of SafeGuard Enterprise should now also open up the Japanese market to us. Our Research and Development efforts concentrated on completing our new product generation, SafeGuard Enterprise, to make it an all-encompassing 360° solution for data security.

We want to continue our strategy for growth in the coming fiscal year. We expect to see the first significant contributions to sales revenues from SafeGuard Enterprise in the second half of 2007/2008. As the positive effects on future earnings due to the activation of software has ended, and the amortization of activated development costs has begun, our result will be burdened by € 3.9 million. However we expect the result to match the previous year.

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

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

Dipl.-Phys. Martin Wülfert
Chief Executive Officer

SafeGuard Enterprise: The new Security Platform for 360° Data Protection

Data security is no longer an issue for IT departments alone, it is also presenting top-level management with ever more and greater challenges. The growing volume of data, and its increasing mobility and decentralization, mean that new concepts are needed for protecting business-critical expertise. At the same time, the legal guidelines for handling confidential data have become more stringent in the levels of security they require for customers and citizens. It is no longer sufficient to barricade the IT infrastructure against attacks from outside or to protect misplaced end devices from unauthorized access. Is there a way to prevent confidential data from leaving the company, either deliberately or due to lack of awareness or negligence? Is there a way to ensure that data always remains confidential, even if it is being copied or moved? Which data is confidential anyway, and needs to be protected against loss or unauthorized access, and where is it located? And, looking at the IT budget: how can enterprise data leakage be prevented without costing the earth?

According to leading industry analysts, the growing awareness of security issues, linked to the increasing complexity of the whole topic of data security will have a profound effect on the market for security solutions. If, previously, the focus was on simply encrypting data, this will increasingly become just one element of the IT infrastructure, and the demands made on the security management functions this requires will grow accordingly. In future, companies will demand holistic solutions that address all aspects of data security instead of point solutions. This, in turn, will cause the security market, which is still heavily segmented, to coalesce, and form larger units. We have therefore developed SafeGuard Enterprise, a new product generation, to position ourselves to meet the challenges of this dynamic market.

SafeGuard Enterprise bundles the security functions provided in existing, separate Utimaco products into one integrated suite with a central management platform. It replaces stand-alone products for different security problems with a modular security platform that can easily be extended to meet future regulations and which provides full 360° data security in compliance with the latest industry standards.

Which benefits does SafeGuard Enterprise offer? What is new or unique about this solution? SafeGuard Easy, our former flagship product, is designed for customers who want a simple, quickly-installed solution that secures mobile personal devices without any particular demands for central management, for auditing, or interfaces to the existing IT infrastructure. The current SafeGuard product portfolio offers this basic protection, and much more besides, in a range of solutions which must be managed separately. In contrast, SafeGuard Enterprise is designed with security management and integration into IT infrastructures at its core so that it can provide customers with a comprehensive, long-term IT and security strategy.

Top management: compliance and protection of company expertise

Increasingly stringent legal requirements are now making data security issues a major concern for top-level management. The critical issues here are compliance with legal specifications and the economic consequences if data is lost. According to a study by the American Ponemon Institute, the average cost of the loss of just one, single customer data record is $ 180, and usually several thousand data records are lost in a major incident. 19% of the customers affected break off their business relationship and a further 40% will think about doing so. SafeGuard Enterprise provides continuous protection for confidential data in accordance with current compliance regulations and can effectively prevent the loss of vital company know-how. The modular concept enables a company to start by implementing basic protection, and then to purchase additional modules and implement them using an already familiar rules management system. SafeGuard Enterprise's open architecture, based on non-manufacturer-specific standards, makes it a security platform that can easily be extended to meet future requirements and is also able to integrate in third-party security solutions such as Microsoft Vista BitLocker.

IT security managers: implementing fully-traceable security policies

IT security managers are responsible for planning, implementation and monitoring company-wide security concepts. Their main concerns are: how can a security solution be integrated in the existing IT environment? How can security policies be implemented without exception, and how can this really be checked? SafeGuard Enterprise can be integrated seamlessly into existing IT environments because it uses IT and security infrastructures, such as Microsoft Active Directory, PKI and smartcards that are already in place. Its central administration makes it easier to implement security policies throughout large organizations. Its powerful logging and evaluation functions provide a way to check whether security policies have been fully implemented or whether there are gaps in security coverage.

Support staff/administrators: easy installation and maintenance

System administrators and support staff expect a product to be easy to install, administer and maintain. SafeGuard Enterprise's security management features use information about users and machines that is already stored in Microsoft Active Directory. Automated distribution mechanisms using web services ensure that SafeGuard Enterprise can be implemented as securely, effectively and smoothly as possible. Even if a member of staff forgets their password, or if a hardware problem occurs, intelligent emergency mechanisms guarantee that data can be restored quickly.

End-users: transparency

For users, SafeGuard Enterprise works in the background. After a user has successfully logged on to the security system, using a password, token or smartcard, all the security settings will be activated, invisibly for the user, and the operating system will be booted.

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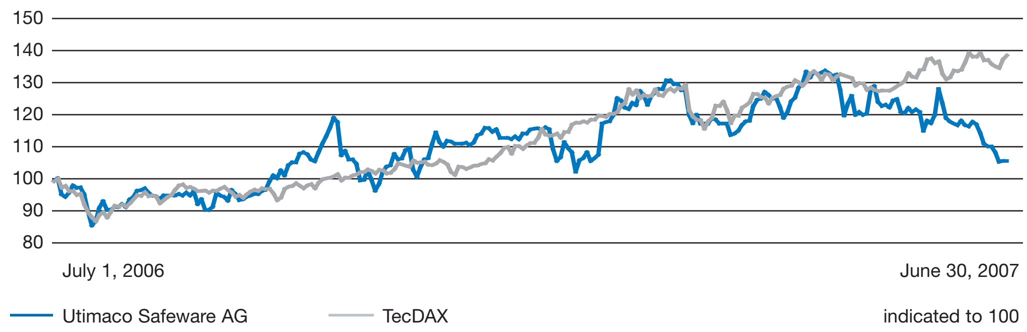
The Share – Awareness in the Capital Market Increased

Utimaco's share price was well able to hold its own in the last fiscal year, after the impressive increases in value of over 200% in the two previous fiscal years.

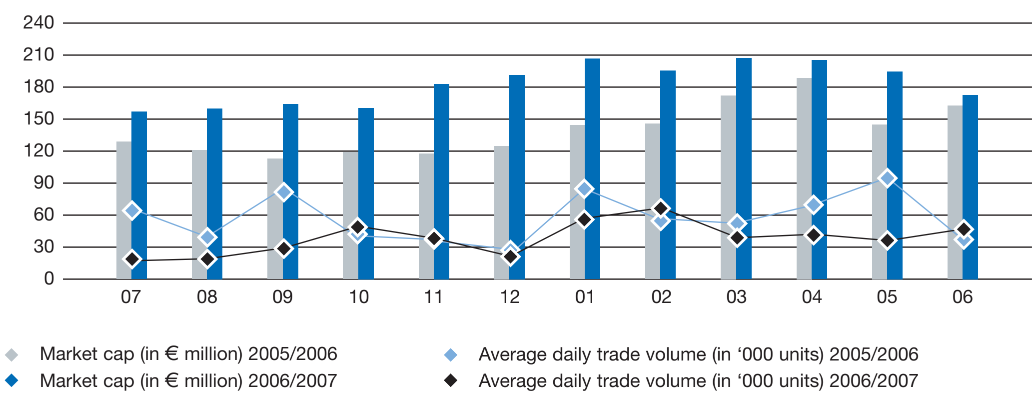
Up to early summer, and despite considerable fluctuations, the market price of Utimaco shares moved broadly in parallel to the dynamic upward trend of the TecDAX benchmark index. A new five-year high was achieved in April 2007 with a closing market price of € 14.84 and a stock market value for Utimaco of € 219 million. In June this year the share value saw a significant fall due to profit taking. Despite this, Utimaco shares in the reporting period showed a growth in value of 6.4% (TecDAX 39.8%), with a closing price of € 11.70.

The average daily trading volume of Utimaco shares displayed a downward trend with 38,053 transactions compared to 56,858 in the previous year. However, in the second half year, the appointment of a second designated sponsor resulted in an increase in trading volume of over 60% compared to the first half year.

Developments in share values



Market capitalization and liquidity compared to the previous year



Increased coverage of Utimaco

In fiscal year 2006/2007 communication with the international capital market increased. The Management presented Utimaco's business model and strategy at roadshows in London, Paris, Zurich, Stockholm, Oslo and Copenhagen, and also at six conferences for analysts in Frankfurt am Main, Germany. Telephone conferences were held to inform our institutional investors of our quarterly results and the progress made in implementing our strategy. We experienced a significant increase in the number of requests by institutional investors for personal meetings or one-to-one telephone calls with members of the Management Board. Warburg/SES and equinet Institutional Services have continued providing coverage for Utimaco throughout the reporting period. In addition the investment banks Metzler and Cheuvreux both started initial coverage of Utimaco.

At the end of the reporting period, Deutsche Bank and Cominvest each had 5% holdings in Utimaco's share capital. The American FMR Corporation (Fidelity Management & Research Corporation) was acquired as a new investor in the previous fiscal year and increased its shareholding to over 10% in the reporting period. In addition to Fidelity, other investors were acquired in the USA. They became interested in Utimaco as a result of the increased awareness of data security issues.

In fiscal year 2006/2007 we succeeded in making the company even better known on the international capital market, built on our relationship with existing investors and won new investors in Europe outside Germany and in the USA. In the current fiscal year we aim to expand our investor base among fund managers, investment managers and in the private banking sector, and to continue our strategy of transparent communications.

Key figures for the Utimaco share

	2006/2007	2005/2006
Maximum value of the Utimaco share (€) in Xetra	14.85	13.20
Lowest value of the Utimaco share (€) in Xetra	9.46	6.90
Year-end share value (€) in Xetra	11.70	10.97
Average no. of shares traded/day	38,053	56,858
No. of shares undiluted	14,745,449	14,745,449
No. of shares diluted	15,225,449	15,225,449
Weighted no. of shares undiluted	14,745,449	14,732,596
Weighted no. of shares diluted	15,225,449	15,174,600
Profit per share in acc. with IAS undiluted (€)	0.43	0.55
Profit per share in acc. with IAS diluted (€)	0.41	0.53
Total return on shares in Xetra	6.4%	55%

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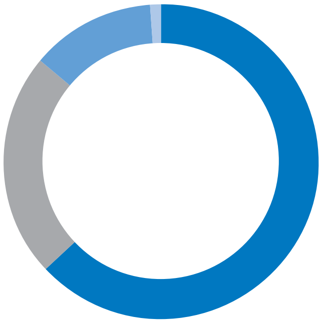
Kick-off 2007 Lisbon

”We can be proud of what we have achieved in the last few years: Utimaco is well set up to play a leading role in the expanding new market for data security solutions. Due to our heightened profile as ”The Data Security Company“ and in conjunction with the upcoming, most important product launch in our company history, we have decided to organize an international Kick-off meeting for all our members of staff. At this event we intend to hold a joint discussion of our strategy and our future. This conference will be held in English. We will be delighted to meet you all at this event.“ This was the invitation to the global Kick-off meeting in Lisbon sent out to all Utimaco staff members in February 2007.

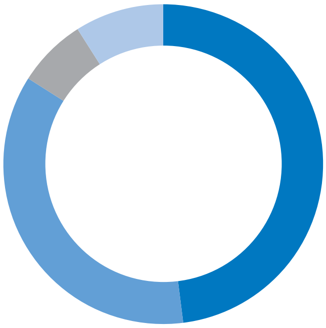
232 members of staff from 11 countries – representing 81% participation – accepted this invitation and met together in Lisbon on the first weekend of June 2007 for this three-day Kick-off event. The start of the meeting was set by a panel discussion about Utimaco’s product and sales strategy for the coming fiscal years. This clearly outlined the aim of the event: not to rest on our laurels but to open fresh dialogs and work together to meet the demands of the future.



Staff by region on June 30, 2007

- Germany: 179 (63%)
- Europe: 66 (23%)
- USA: 37 (13%)
- Japan: 3 (1%)

A town rally through Lisbon gave participants a chance to build a team spirit and test their leadership qualities. Utimaco’s strategies were then explored in greater depth in a series of workshops. The new SafeGuard Enterprise product generation took center stage, with five workshops dedicated exclusively to it. More than 100 participants discussed the factors crucial to the success of a global product launch. The workshops focusing on Utimaco’s future strategic direction were also very well attended. The program also included in-house topics such as our global IT strategy and optimizing the processes involved in unifying and monitoring targets when evaluating the progress of staff.



The results of the workshops were then presented in the closing plenum session. In addition to many suggestions for future campaigns the ”Utimaco Elevator Pitch“ was the source of a good deal of merriment: here a video clip showed staff members as they tried to describe Utimaco in a few memorable words during a ride in an elevator.

The guest speaker at the closing gala was Cathy O’Dowd, the first woman to ascend Mount Everest from both the North and South. She shared her experiences of group dynamics in extreme situations. Alongside describing the typical snares that can prevent successful teamwork she presented ways in which team members can motivate themselves and others to meet ambitious and challenging goals. To read more about what participants thought of this event, and their impressions of Lisbon, turn to page 16 and 17.

Increased workforce to meet the requirements of our strategies

In the last fiscal year the number of staff employed rose by 10% in total to 285, with an average of 278 staff employed compared to 239 in the previous year. The greatest increase in staff numbers was in the USA. Here the workforce more than doubled to 37. Sales and Marketing and Research and Development were the departments that benefited most from this wave of recruitment.

Kick-off 2007 Lisbon – Voice of the participants

Here you will find the views of some colleagues plus photos showing their impressions of the three-day Kick-Off Meeting, held in Lisbon on the third weekend of June 2007.

Our joint days in Lisbon unfortunately were far too short to meet all colleagues who I normally only know via e-mail or telephone. What I take home is the feeling of greater closeness despite the distant location of many world-wide colleagues. During that weekend we experienced a "come together feeling" which I hope will last for a long, long time. I enjoyed fantastic days with nice colleagues in a country which I will surely visit again one day.
Martin Essrich, Internal Support, Germany

Utimaco is not necessarily a large company. Nevertheless, when Utimaco's employees from all over the world met in the neat city of Lisbon, one realized how diverse and international the company is. The well organized program did not only help us understand the future course of the company, but also assured us that we are all a single big family in facing the challenge in front of us."
Makoto Sekikawa, Chief Operating Officer, Japan

For me the Lisbon kick off was clear evidence of Utimaco's commitment to succeed and it was also a fantastic opportunity to see one of Europe's less well known capital cities. What was fascinating about working on the elevator pitch was that so many people could agree so quickly on such a complex idea – we had all been thinking the same things and just never put them into simple words. A great event and enjoyed by everyone I spoke to.
Nicholas Medd, Key Account Manager, Great Britain

The trip was great. It gave me and my colleagues a chance to meet our colleagues from all over the world. The program was a successful mix of working together and having much fun
Sylvia van Wel, Backoffice, The Netherlands

For me, Utimaco's first world-wide kick-off meeting was exciting and helpful. At last I had an chance to personally meet many people who I only had telephone or email contact with up to now. It makes it much easier to understand cultural differences when you are communicating with people you know. For me, the town rally was a special highlight: right at that start, it boosted our team spirit, and it gave us an opportunity to get to know Lisbon a bit, too.
Claudia Küng, Sales Administration, Switzerland

A really exciting experience to see the full power and internationality of Utimaco gathered together in one place. Excellent mix of workshops and socializing events bundled with professional organization – I was glad to be part of this event.
Richard Aufreiter, Product Manager, Austria

The event exceeded my expectations. The sessions were very good and I was sorry I couldn't have attended more of them. Of course, the greatest benefit was the opportunity to meet in one place, at one time, so many of the people with whom I will work. I was able to hold meetings, make connections, all while enjoying Lisbon, and having a really good time. Thank you to the team who put on this event
Ellen Pearson, Director of Business Development West Coast, USA

A faultless organization in one of the greatest European capitals allowed us to meet our counterparts in the best conditions. Better than a call to enhance already friendly links
Yann Descamps, Key Account Manager, France

The meeting provided me a good opportunity to meet many new colleagues from other business departments or other countries. It was a great opportunity to share our knowledge and our experience with each other. I believe such effective internal communication and idea sharing could greatly improve our cooperation in future business development.
Li Jiang, System Specialist Data Warehouse, Germany

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Consolidated Financial Report for the Fiscal Year 2006/2007

Framework Conditions and Business Development

In the last fiscal year, Utimaco found itself in a generally favorable economic situation in its main markets in Europe and the USA. Demand for data security products and solutions continued to be at a high level.

In the last fiscal year we concentrated our focus on completing and launching the SafeGuard Enterprise security suite, our new product generation and the largest development project in our company's history. At CeBIT in March 2007 we achieved our aim, according to plan, by launching a fully market-ready version of the central management console and the first SafeGuard Enterprise module. In addition to its existing product portfolio, Utimaco now offers its customers an extendable, modular data security platform which complies with the latest industry standards. This will be followed by a range of additional modules to meet other security requirements currently covered by stand-alone Utimaco products. In the medium term, SafeGuard Enterprise will replace most of the existing SafeGuard products and will serve as the platform for future developments and extensions to our company's product range.

Our investment strategy of the past two fiscal years has created the base from which we can now move forward to take a leading position in the expanding market for data security solutions. Our aim of growing profitably in this market with our existing product portfolio was achieved in fiscal year 2006/2007.

In the last fiscal year we secured the first major order for SafeGuard Enterprise, our new security suite. Due to the usual sales cycles of nine months, SafeGuard Enterprise has, as expected, not yet delivered a significant contribution to sales revenues. For this reason we are very satisfied with the continued pleasing development of revenues generated by the SafeGuard product family, which grew by 25.7%. However, less business was generated with our CryptoServer hardware security module than in the previous year as we were not able to fully compensate for a large order by a German toll consortium in the previous year.

This also affected revenue development in the region Germany which saw a slight decline of 3.8% to € 21.816 million compared to previous year's high level (previous year: € 22.682 million).

In European countries outside Germany, growth was up considerably from 3.8% in the previous year to 28.0% this year, with revenues worth € 13.441 million (previous year: € 10.501 million). To further strengthen our market position in this region, we acquired all the shares in our former French sales partner, Utimaco Safeware France S.A., at the start of the 2nd quarter of the fiscal year. Our new French subsidiary already has a substantial list of well-known customers such as Airbus, Alcatel, Banque de France and Sanofi-Aventis.

Revenues continued to show strong growth in the Americas region, increasing by around 65.8% to € 11.066 million (previous year: € 6.675 million)

In the last fiscal year revenue in the region Asia/Pacific/Africa equaled € 3.057 million (previous year: € 1.793 million), growing by 70.5%.

Total revenue in the last fiscal year was € 49.380 million (previous year: € 41.652 million), an increase of 18.6%.

In the last fiscal year it was not possible to convert the positive development in our revenues into growing operating profits. This was due to a significant increase in costs, particularly sales and marketing costs, as well as the adverse effects on our profitability due to lower software capitalization and the initiation of amortization of previously capitalized development costs for SafeGuard Enterprise. The result for ordinary business activity was therefore € 8.583 million, which was slightly lower than the previous year's value of € 8.847. The operating profit margin was 17.4% (previous year: 21.2%).

In contrast, and due to a much improved financial result, the result before tax grew by 4.1% from € 9.297 million to € 9.674 million. The percentage return on sales was 19.6% (previous year: 22.3%).

Due to the significant increase in taxes on profit, which rose from € 1.267 million to € 3.396 million, the consolidated result in fiscal year 2006/2007 was € 6.278 million (previous year: € 8.029 million).

Cash funds, including quickly liquidatable security holdings increased by € 3.891 million to € 33.124 million due to the pleasing business development in fiscal year 2006/2007. 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.

On the basis of the company's good profit situation and positive cashflow, the Management Board and Supervisory Board will propose a dividend of € 0.15 per share at the General Meeting.

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.

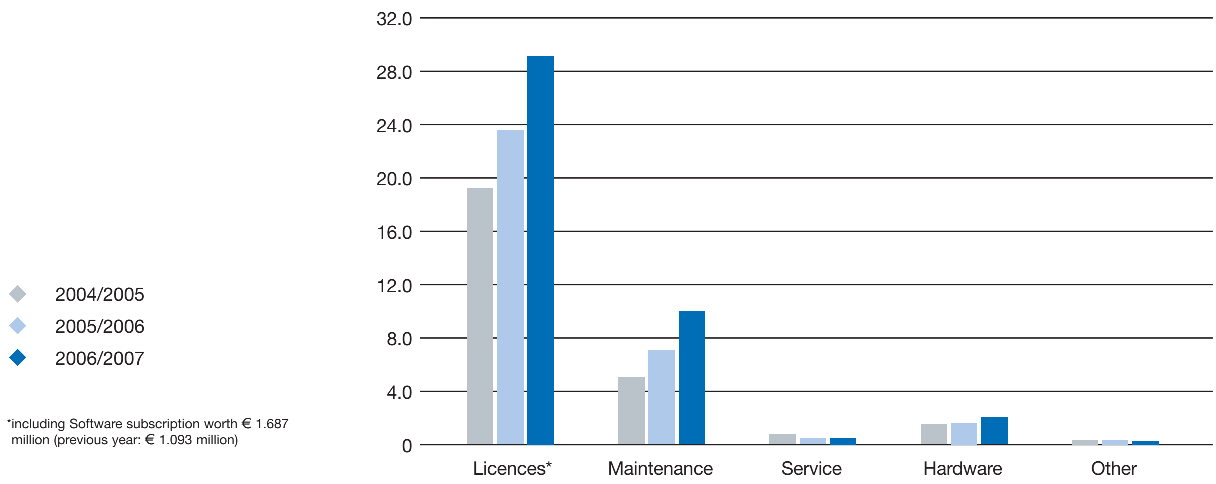
In the last fiscal year, business in the Personal Device Security division once again showed a pleasing increase in revenues by 24.8% to € 40.746 million (previous year: € 32.642 million).

This was due to a growth in revenue from licenses of 23.6% to € 28.810 million (previous year: € 23.303 million), and an increase in revenues from maintenance and support services by 32.6% to € 9.259 million (previous year: € 6.985 million). In total, the revenues achieved with the SafeGuard product family (licenses and maintenance) rose by 25.7% to € 38.069 million (previous year: € 30.288 million). The contribution made to total revenues by SafeGuard products in the Personal Device Security division rose to 93.4% (previous year: 92.8%).

Sales from hardware rose to € 1.996 million (previous year: € 1.572 million). In the reporting period, revenues from the provision of services and other sales fell from € 783,000 to € 680,000.

Personal Device Security

Revenue by product groups (in € million)

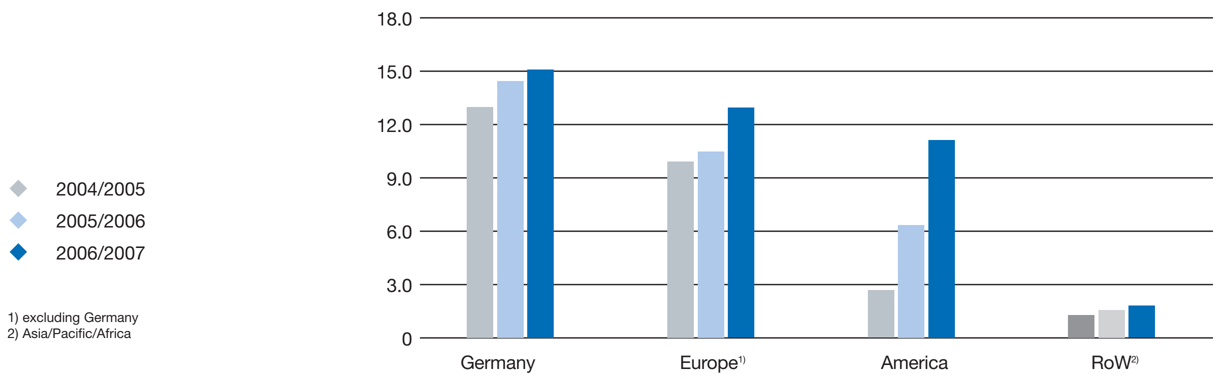


*including Software subscription worth € 1.687 million (previous year: € 1.093 million)

The Personal Device Security division grew in every region. In the domestic market (Germany), revenue remained high with an increase of 4.5% to € 15.018 million (previous year: € 14.367 million).

Personal Device Security

Revenue by region (in € million)



1) excluding Germany
2) Asia/Pacific/Africa

In Europe outside Germany, the previous year's growth of 5.8% increased considerably to 23.4%. Revenues of € 12.873 million (previous year: € 10.429 million) were achieved in this region.

Revenues continued to show strong growth in the Americas region, increasing by around 75.7% to € 11.066 million (previous year: € 6.299 million)

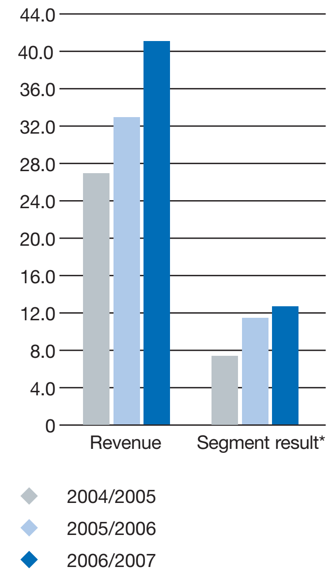
Revenues from the region Asia/Pacific/Africa equaled € 1.789 million (previous year: € 1.547 million) in the reporting period, an increase of 15.6%.

The proportion of revenues earned outside Germany increased to 63.1% compared with 56.0% in the previous year.

As a consequence of the significant growth in revenues of 24.8% the segment result increased by 7.4% to € 12.533 million (previous year: € 11.672 million). This was despite the significant increase in operating costs, particularly marketing costs, as well as the adverse effects on our profitability due to lower software capitalization and the initiation of depreciation on previously capitalized development costs for SafeGuard Enterprise.

Despite a slight decline, the percentage return on sales of the Personal Device Security division before allocation of central costs was still a pleasing 30.8% (previous year: 35.8%).

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



*including revenues and expenses between the segments

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 and hardware security modules, which provide optimum protection for cryptographic services within a secure hardware environment. In addition, this division has also developed technologies and management systems for the legally-compliant monitoring of telecommunications services.

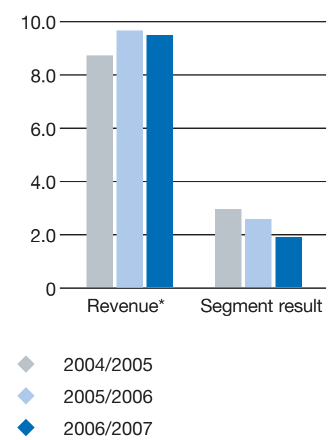
In the last fiscal year, the Transaction Security division achieved sales worth € 9.592 million, close to the € 9.772 million sales achieved in the previous year. These sales revenues include intracompany sales worth € 958,000 (previous year: € 762,000). Hardware revenues, especially from CryptoServer, experienced a noticeable decline of 37.0% in the reporting period from € 3.993 million in the previous year to € 2.514 million. The primary reason for this fall in revenue is a major order of € 2.600 million, received in the previous year from a German toll consortium, which could only be partially compensated for in the year under review.

In contrast to this, license sales saw positive developments. After a decline in revenues in the previous year, revenues from licenses increased by 17.8% to € 3.511 million (previous year: € 2.980 million) in the reporting period.

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 achieved in Germany, excluding internal revenues, amounted to 78.7% of segment revenues (previous year: 92.3%).

This division brought in a segment contribution worth € 1.910 million (previous year: € 2.599 million). The fall in revenues was due to a small decline in sales associated

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

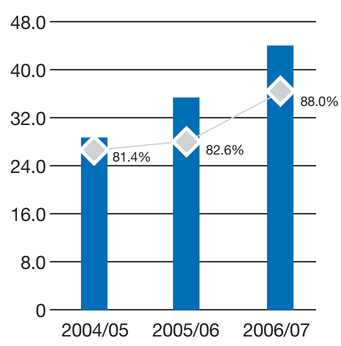


*including internal revenues worth € 958,000 (previous year: € 762,000) with a slightly lower gross margin of 85.3% (previous year: 86.2%) and a 7.7% increase in operating costs.

The percentage return on sales of the Transaction Security division before allocation of central costs was 19.9% (previous year: 26.6%).

Profit trend

Gross profit on sales



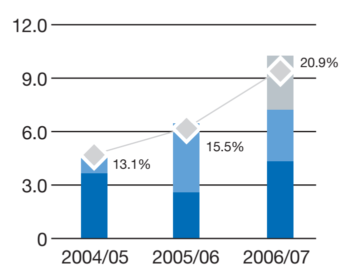
Gross profit (€ million)
Percentage of revenue

In the fiscal year the company achieved a gross profit on sales of € 43.478 million (previous year: € 34.39 million). This corresponds to a gross margin of 88.0% (previous year: 82.6%). This higher than expected increase in gross profit on sales of 26.4%, compared to the increase in revenues of 18.6%, was fundamentally due to a recording-based significant reduction of € 3.056 million in cost of sales compared to the previous year. As a result of successfully turning the technologies of the Transaction Security business into products, costs recorded as costs of sales in the previous year were, for the first time, reported as research and development costs in the year under review.

Following the market launch of the new SafeGuard Enterprise product generation at CeBIT (March 2007), the amortization of capitalized development costs, in accordance with IAS 38, was started in the third quarter. This therefore placed an initial burden of € 509,000 on the gross profit on sales.

The greatest proportion of operating costs was spent on sales and marketing. This spending increased by 22.7% over the previous year to € 21.498 million (previous year: € 17.527 million). Sales and marketing costs equaled 43.5% of revenues (previous year: 42.1%). Whilst sales costs grew at a slightly lower rate than revenues (showing an increase of 11.3%), expenses for marketing activities and the expansion of product marketing campaigns increased significantly by 63.8% compared with the previous year.

R&D costs



R&D net in € million
R&D capitalization in € million
Regrouping CoS
R&D gross as percentage of revenue

In the reporting period, a total of € 10.303 million was used for research and development (previous year: € 6.467 million), of which € 2.914 million (previous year: € 3.885 million) was dedicated to the development of the new SafeGuard Enterprise suite and capitalized in accordance with IAS 38 with a positive effect on earnings. After capitalization, the reported research and development costs totaled € 7.389 million (previous year: € 2.582 million). They equaled 15.0% of revenue (previous year: 6.2%). This massive increase was primarily due to the reclassification of development costs reported in the previous year as cost of sales in the Transaction Security division. In the year under review, the rise in research and development costs, excluding the effects of these reclassification effects and the change in the amount of software capitalization, equaled 12.1%.

General administration costs in the reporting period of € 5.642 million were broadly the same as for the previous year (previous year: € 5.779 million). General administration costs equaled 11.4% of revenues (previous year: 13.9%).

In the last fiscal year it was not possible to convert the positive development in our revenues into a growing profit margin. This was due to a significant increase in costs, particularly sales and marketing costs, as well as the adverse effects on our profitability due to lower software capitalization and the initiation of depreciation on previously capitalized development costs for SafeGuard Enterprise.

The EBITDA result (result before interest, tax, depreciations and amortization) in fiscal year 2006/2007 equaled € 10.544 million (previous year: € 9.697 million). As a consequence, the EBITDA margin of 21.4% was slightly lower than the 23.3% reported in the previous year.

In the last fiscal year, the EBIT result (result before interest and taxes) equaled € 8.524 million, slightly lower than the previous year (previous year: € 8.858 million). This corresponds to an EBIT margin of 17.3% (previous year: 21.3%).

In the reporting period, the higher financial result was primarily the result of the increased average market interest rate and also due to the growth in the volume of invested assets which rose from € 431,000 in the previous year to € 1.091 million in the year under review. The financial result also benefited from a one-time influx of interest worth € 166,000 as part of the conclusion of the law suit between Utimaco Safeware BV and its former shareholder dating back to 1996.

The company's pre-tax profit was € 9.674 million (previous year: € 9.297 million), which corresponds to a percentage return on sales of 19.6% (previous year: 22.3%).

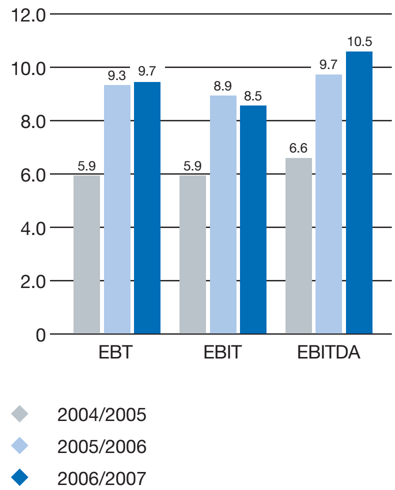
The tax load ratio of 13.6% in previous year rose significantly to 35.1% in the year under review. This is almost the same level as the group tax rate of 37.6%. The main cause of this was that this fiscal year no longer included any positive effects from the creation of capitalized deferred taxes from accumulated losses brought forward due to the positive business development of the parent company and the expected developments in foreign group companies, especially in the USA. Taxes on profit therefore increased considerably to € 3.396 million (previous year: € 1.267 million).

As a consequence, the result after tax for fiscal year 2006/2007 totaled € 6.278 million (previous year: € 8.029 million).

In the fiscal year, an undiluted profit per share of € 0.43 (previous year: € 0.55) was achieved.

Following a decision by the Management Board and Supervisory Board of the parent company, an amount of € 4.595 million (previous year: € 2.317 million) will be taken from the year-end surplus of € 6.806 million (previous year: € 4.529 million) achieved by Utimaco Safeware AG in fiscal year 2006/2007 and moved to other profit accruals. The Management Board and Supervisory Board will propose, at the General Meeting for fiscal year 2006/2007, that a dividend worth € 0.15 per share should be paid to the shareholders. The total amount would therefore be € 2.212 million (previous year: € 2.212 million).

Earnings Figures
(in € million)



Investments

In the reporting year, total investments in tangible and intangible assets equaled € 6.503 million (previous year: € 5.003 million). Capital spending on replacement investments equaled € 1.179 million (previous year: € 250,000) and expansion investments equaled € 5.324 million (previous year: € 4.753 million). The main investment item was the development of a new product suite, SafeGuard Enterprise, that bundles the central security functions of the previous portfolio in a new architecture and extends it by adding new functions and platforms. The expenditure involved, worth € 2.914 million (previous year: € 3.885 million), was capitalized in accordance with IAS 38. In addition, to further strengthen and expand the company's market position in Europe, all shares from Utimaco Safeware France S.A. were acquired. This resulted in goodwill worth € 1.075 million also fair value adjustments of € 406,000.

Assets and investments

Utimaco had considerable financial resources available on 30th June 2007. The balance sheet structure has further improved compared to the previous year. In the period under review, the balance sheet total grew by € 10.258 million to € 61.248 million.

The increase in current assets, worth € 8.208 million, resulted in almost equal amounts from the growth in liquid assets, to € 3.891 million, and the increase in accounts receivable, trade totaling € 3.827 million which was due to the rise in the volume of business .

In the reporting period, long-term assets increased by € 2.049 million to € 13.549 million. This included an increase in the value of intangible assets by € 4.059 million, primarily because of the capitalization of software, worth € 2.914 million, and also because of the goodwill from the transfer of all shares in Utimaco Safeware France S.A., worth € 1.075 million. The purchase price includes a fixed element that is based on the net asset value of the company and also a component that is on the basis of the recent financial success of the company, according to the development in revenue and results over a time period of three years. The company's intangible assets also increased because of the retroactive increase in the costs of acquisition, and the accompanying goodwill, by € 529,000 for Utimaco Safeware BV, Netherlands in the context of the conclusion of the legal dispute that was extant from the time that the company was purchased, in 1996. At the same time the intangible assets were reduced by the value of the planned amortization.

In the context of the conclusion of the legal dispute mentioned above, the former shareholder was ordered by the court to settle the claim for € 780,000 with a payment of € 236,000 plus interest. This claim was reported under other long-term assets. Consequently this claim was completely closed out following an appropriate increase in the goodwill to € 529,000 and a smaller charge for expenses. The long-term asset values were reduced accordingly.

In addition the deferred tax claims were reduced by € 1.518 million to € 1.082 million.

With regard to liabilities, the increase in the balance sheet total was primarily caused by the growth in equity capital of € 4.556 million. Additionally, current liabilities grew by € 4.863 million, mostly as the result of higher provisions (€ 792,000) for staff bonuses and management bonuses, and for an increased deferred charge of € 2.305 million for the deferral of support and maintenance contracts.

On the balance sheet key date, equity capital equaled € 40.532 million (previous year: € 35.976 million), and subscribed capital equaled € 14.745 million (previous year: € 14.745 million). The equity ratio showed a slight fall from 70.6% to 66.2%.

In the year under review, Utimaco made € 5.283 million worth of investments. This expenditure primarily concerned the financing of the cost of developing SafeGuard Enterprise, at € 2.914 million, the acquisition of Utimaco Safeware France S.A. for € 1.201 million, and purchases of software and hardware, commercial equipment and other property, plant and equipment, worth € 1.168 million. All on-going maintenance and expansion investments, and the dividend payment for fiscal year 2005/2006 of € 2.212 million, were financed in full from the cash flow from operating activities worth € 9.292 million. Once the influx of capital from the sale of securities had been eliminated, a free cash flow of € 2.910 million was achieved in fiscal year 2006/2007.

Control system and financial management

Utimaco is organized in business units to address its markets effectively. Its key performance indicators are the revenue and revenue margin performance targets. For the purpose of clarity, information is grouped according to the two segments Transaction Security and Personal Device Security.

Investments from free cash resources are based on a low value risk with the intention of ensuring they can be realized rapidly. Due to the company's high levels of liquid assets it currently only has low-value credit lines. Liquid assets are used to finance the working capital and are also available for acquisitions if required.

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, new products are also being developed. In addition to the on-going modification of the existing product portfolio to match technological developments and increasing security requirements, the emphasis in the Research and Development division in the current fiscal year lay on completing the new product generation, SafeGuard Enterprise.

- **SafeGuard Enterprise: Product launch at CeBIT 2007**
  After the successful completion of its beta test phase at international customer sites, the first market-ready version of the new product generation, SafeGuard Enterprise, was presented at CeBIT in March 2007. This version comprises the central SafeGuard Management Center and the SafeGuard Device Encryption security module which is used for encrypting data on end devices. It will be followed by additional modules, which can be combined as required (for file and folder encryption, secure data exchange, configuration protection and also interfaces for modules from external partners, such as Microsoft Vista BitLocker). SafeGuard Enterprise bundles the security functions provided in existing, stand-alone Utimaco products into one integrated suite with a central management platform. It replaces stand-alone products for different security problems with a modular security platform that can easily be extended to meet future requirements to provide full 360° data security based on the latest industry standards.

- **SafeGuard Easy has FIPS certification and provides extended authentication technology**
  The SafeGuard Easy hard disk encryption system has been awarded the FIPS 140-2, Level 1 security certificate by the US Department of Commerce's National Institute of Standards & Technology (NIST). FIPS (Federal Information Processing Standard) 140-2 describes the levels of security required by US government bodies for encryption technologies. In addition, further improvements have been made to SafeGuard Easy with regard to the authentication technologies it supports. For example, SafeGuard Easy now also supports the RSA SecurID SID800 logon token and is the first security solution in the world to support the fingerprint sensor on Lenovo notebooks.

- **SafeGuard PrivateDisk with portable decryption tool**
  SafeGuard PrivateDisk is a security solution that is used to generate encrypted ”virtual“ disk drives on hard disks and mobile data media. It has been upgraded: a new function enables authorized users to access encrypted files, even outside their own IT environment. For example, memory sticks encrypted with SafeGuard can now be read on devices on which no Utimaco security software is installed.

- **SafeGuard PrivateCrypto for Symbian**
  SafeGuard PrivateCrypto, an easy to use file encryption application has been optimized for use on mobile telephones that run the Symbian operating system. This security solution, which has been awarded the Symbian Signed logo, is compatible with the Windows PC and Windows Mobile platforms, making it the only product that can be used to perform encrypted file exchange over all these platforms.

- **New security solution for removable media**
  SafeGuard RemovableMedia, the new security solution, makes it possible to store encrypted files on any type of removable medium (USB stick, memory cards or optical media such as CDs and DVDs). SafeGuard RemovableMedia can be configured in such a flexible way, from one central point, that, for example, it can ensure every file saved on removable media, that leaves the company or is brought into the company, is encrypted. The security functions provided in SafeGuard RemovableMedia will also be available as a SafeGuard Enterprise module.

- **SafeGuard MailGateway expanded by the addition of Web-Messenger technology and PDFMail**
  For SafeGuard MailGateway, a security solution for securing e-mail traffic centrally, two additional options were developed for integrating communications partners that have no certificate infrastructure. When the additional SafeGuard WebMail option is in use, external communications partners receive encrypted mails in a protected web mailbox, which they can access with a standard Internet browser via SSL. This new add-on, SafeGuard PDFMail, means that emails, along with their attachments, can be exchanged with any recipient as an encrypted PDF. The recipient only needs a standard PDF reader (for example, Adobe Acrobat) and a password to decrypt these emails. Alongside S/MIME and Open PGP, SafeGuard MailGateway therefore also provides three procedures for secure email communication that do not rely on certificates. These are

SafeGuard PrivateCrypto (for simple file encryption), SafeGuard WebMail and SafeGuard PDFMail.

- **New CryptoServer S Series**
  During the period under, review Utimaco has created a new, less expensive variant of the CryptoServer hardware security module. Performance versions S10 and S50 of the new CryptoServer S Series have the same functional scope as the previous module, but at a lower price, due to their slightly lower physical security. It is intended for customers who want to implement a high-performance security module in a secured physical environment (such as a server room) and do not require the high levels of physical protection that result from FIPS Level 4 certification. If the customer's security requirements become more stringent, the CryptoServer S Series can easily be replaced by the CryptoServer CS. The entire CryptoServer model range now also supports the use of public key algorithms on the basis of elliptical curves. In contrast to the usual asymmetrical procedures such as RSA, this new generation of algorithms (ECC: Elliptic Curve Cryptography) has the advantage that it uses much shorter keys whilst providing comparable levels of security. Shorter keys speed up encryption performance, so ECC algorithms will become increasingly important when encryption technology becomes more widespread. The American National Security Agency (NSA) already mentions the use of ECC encryption to protect communications between government bodies in its "Suite B" recommendation. From 2010 onwards, this will be mandatory.

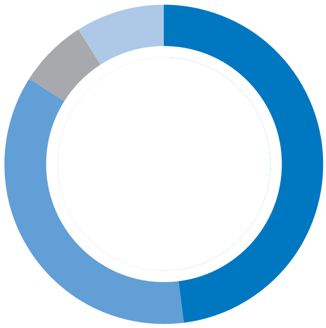
  CryptoServer is a security module that encapsulates cryptographic functions and keys in a secured hardware module. It is used in applications and processes where security is a critical issue, such as card personalization, logging on to mobile phone networks, and in e-payment, PKI and toll systems. It is also used in many large-scale SafeGuard installations to secure master keys. CryptoServer has been granted certification in accordance with the US security standard FIPS 140-2, Level 3 and Level 4 and has been approved for use in electronic cash transactions by the ZKA (German central credit committee).

- **Telecommunications management system (Utimaco LIMS)**
  Utimaco's LIMS Lawful Interception Management System guarantees the legally-compliant monitoring of a wide range of different telecommunications services. In the last fiscal year, the emphasis was on the further standardization of the solution in order to expand the international product business even further. To achieve this, support was added for many more network technologies. Utimaco LIMS now includes interfaces to more than a hundred different network components from many leading manufacturers, including Acme Packet, Alcatel, Arris, Broadsoft, Cisco, Ericsson, Huawei, Juniper, Motorola, Nokia Siemens Networks, Nortel, Redback and ZTE. Utimaco LIMS now complies with numerous current national legal guidelines relating to telecoms monitoring, e.g. the implementation of the current German guidelines defined in TKÜV (German telecommunications monitoring act), the TR TKÜ (German technical guideline for telecommunications monitoring 5.0) and also the new international LI Standards issued by ETSI (the European Telecommunications Standards Institute) and ANSI (the American National Standards Institute), relating to the monitoring of Internet access and Voice over IP.

Utimaco has been developing LIMS since 1994 and it is already used by leading telecommunications providers in more than sixty countries. In addition, well-known telecoms systems suppliers including Nokia Siemens Networks, Motorola and Huawei sell LIMS as part of their portfolio of solutions and products worldwide. Technologically, Utimaco LIMS today provides a way of monitoring all relevant telecommunications services and networks in accordance with legal regulations. These include voice and data services based on GSM, UMTS, GPRS, CDMA, ISDN, POTS, DSL, cable, LWL, satellite and Internet Protocol technologies.

Staff

Staff by function on June 30, 2007



- Sales & marketing: 136 (48%)
- Research & development: 103 (36%)
- Customer service: 20 (7%)
- General administration: 26 (9%)

At the end of fiscal year 2006/2007 Utimaco employed 285 staff (previous year: 260 staff). During the fiscal year the average number of staff employed was 276 (previous year: 239).

In the domestic market (Germany), an average of 173 staff were employed (previous year: 157 staff). Outside Germany there were 103 staff (previous year: 82 staff).

The majority of staff members receive not only a fixed remuneration but also a performance-related variable element of their remuneration, which is quantified according to the quantitative and qualitative targets agreed at the start of each fiscal year. In addition to this, a 3 Year Bonus Program was introduced in fiscal year 2004/2005, and in fiscal year 2005/2006, a share option scheme was brought in for a maximum of 10% of all staff. These were intended to bind selected management and specialist staff even more closely to Utimaco while also creating commercial incentives.

Remuneration report

Remunerations to the Management Board contain both fixed and variable parts. Members of the Management Board receive the following as a fixed remuneration: monthly salary payments, a direct insurance premium payment equaling the current legally-defined maximum income tax lump sum amount, as defined in § 40b EstG (Einkommensteuergesetz: German income tax law), and 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. This bonus is based on the company's financial success.

As a variable element of their remuneration with a long-term incentive effect the members of the Management Board participate in a 3 Year Bonus Program and a share option scheme. The 3 Year Bonus Program was introduced in reporting year 2004/2005 and is based on the growth and results targets for the Utimaco group for the fiscal years 2004/2005 until 2006/2007. The 3 Year Bonus Program will be calculated at the end of the 2006/2007 fiscal year on the basis of targets that have been achieved by then.

It is not permitted to change the defined annual and long-term targets.

The total remuneration paid to the Management Board in the reporting year equaled € 1.123 million (previous year € 1.169 million).

The total bonus amount payable has been divided between the individual participants, and by Management Board member, as follows:

Martin Wülfert

€	2006/2007	2005/2006
Remunerations from non-performance-related components	209,000	208,000
Remunerations with short-term performance-related components	122,000	173,000
Remunerations with long-term incentive effect	300,000	288,000
Total remunerations	**631,000**	**670,000**

In the reporting period Martin Wülfert received 46,000 options in total. At the time they were issued to him, this represented a current market value of € 292,000.

Christian Bohne

€	2006/2007	2005/2006
Remunerations from non-performance-related components	201,000	199,000
Remunerations with short-term performance-related components	61,000	87,000
Remunerations with long-term incentive effect	230,000	213,000
Total remunerations	**492,000**	**499,000**

In the reporting period Christian Bohne received 34,000 options in total. At the time they were issued to him, this represented a current market value of € 216,000.

As of 30th June 2007 the actuarial value of pension grants to former members of the Management Board amounted to € 467,000 (previous year: 476,000). Pensions amounting to € 43,000 (previous year: € 43,000) have been paid to former members of the Management Board.

Details in accordance with German takeover regulations

- **Composition of share capital**
  On the balance sheet date the subscribed capital equaled € 14.745.449 and consisted entirely of stock from individual share certificates with no nominal value and a voting right.

- **Equity holdings in the capital that exceeded more than 10% of the voting rights**
  The company FMR Corp. (headquarters: 82 Devonshire Street, Boston, Massachusetts 02109, USA) has informed us in a notification of the 9th October 2006, in accordance with §§ 21 (1) of the WpHG (German securities trade act), that its share of voting rights in our company (based in Hohemarkstr. 22, 61440 Oberursel, Germany) rose above the threshold of 10% on the 6th October 2006 and on this date stands at 10.10%. The voting rights will assigned to FMR Corp in accordance with § 22 (1) 2 WpHG (German securities trade act) and also § 22 (1) 1 No. 6 WpHG.

- **Resolution relating to the nomination and withdrawal of Management Board members and a change to the articles of association**
  The nomination and withdrawal of Management Board members is performed in accordance with §§ 84, 85 AktG (German Stock Corporation Act). For changes to article of corporation §§ 133, 179 ff. AktG and § 9 Para. 4 of the articles of association. In accordance with § 119 Para. 1 No. 5 AktG the General meeting decides over changes to the articles of association. In accordance with § 8 Para. 6 of the articles of association, the Supervisory Board is authorized to undertake and make changes to the articles of association that concern the way they are formulated.

- **Authorized action by the Management Board, to issue or buy back shares**
  In accordance with a resolution by the General meeting on the 17th November 2006, until the 16th May 2008 the Management Board is authorized to acquire Own Shares up to 10% of the existing capital stock over the stock exchange or via a public offer to buy made to all shareholders. The own shares purchased in the context of this authorization can, among others, also be offered for the purchase or transferred to staff in the company or other companies in the group, whether at home or abroad. We also refer the reader to the information on equity given in note 48 (Equity capital) of the Appendix to the financial statement.

- **Major agreements depending on a change of control following a takeover offer.**
  If one shareholder, or a linked group of shareholders, hold the majority of shares in the company (”change of control“), the options for the management board cannot be exercised until at least two years have passed, since the options were issued, and without regard to whether the predefined company business targets have been achieved.

Risk report

In the last fiscal year, 2006/2007, 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.

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 in the segments in which it operates, or new market subsegments can arise. If Utimaco Safeware does not recognize such market changes or shifts at the right time, or is not able to offer suitable solutions for the requirements 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 Safeware.

- In addition to the risk from products supplied by Utimaco Safeware’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 is offering integrated hard disk encryption functionality as part of its new Vista operating system which was 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. This is particularly true if Microsoft make improvements to its functionality.

- 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, due to an uncertain or poor economic outlook and/or the consolidation of public budgets, have a negative effect on the demand for Utimaco Safeware'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 there should be limitations in the functionality and performance of its products, this would have a negative effects on its financial situation and profitability.

- In a few cases third-party technology is used in Utimaco Safeware'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.

- Utimaco Safeware's products are mainly sold and implemented via IT sales companies and service providers. 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 Safeware 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 Safeware 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 negative effects 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 negative effects on its 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. 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 fiscal year 2007/2008 we want to continue expanding our technology and sales partnerships with the focus on gaining new integration partners who can offer SafeGuard Enterprise as part of comprehensive data security concepts and also provide the services associated with this.

We also expect additional growth to be generated from the American and European markets, in which we want to further extend our market position with our new product generation. The availability of a Japanese language version of SafeGuard

Enterprise should now also open up the Japanese market to us. We expect the first fruits of success in the second half of the fiscal year.

Our Research and Development efforts concentrated on completing our new product generation, SafeGuard Enterprise, to make it a comprehensive solution for data security.

As a whole, we expect to see further increases in growth against the background of an economic environment that continues to be positive. However, during the period of transition to our new product portfolio we expect a noticeable downturn in growth in the first half of the fiscal year. By the second half of fiscal year we shall be able to see the first significant contributions to revenues from SafeGuard Enterprise and an upswing in growth. As the positive effects on earnings, due to the capitalization of software has ended, and the amortization of capitalized development costs has begun, our result will be burdened by € 3.9 million. While taking into account the possibility of a weaker first half of fiscal year, 2007/2008, we are expecting the result to match that of last fiscal year, 2006/2007.

We are certain that by successfully launching SafeGuard Enterprise we will considerably improve our position in the growing market for data security solutions. Consequently, we expect our growth in revenues to strengthen in fiscal year 2008/2009, while at the same time we will see an improvement in the profit margin.

Oberursel, September 2007

Martin Wülfert	Christian Bohne
Chief Executive Officer	Chief Financial Officer

Consolidated Financial Statement

Content

Consolidated Balance Sheet in Accordance with IFRS on June 30, 2007

€ 000	June 30, 2007	June 30, 2006	Appendix
ASSETS			
Short-term assets			
Cash and cash equivalents	22,812	16,373	(31)
Securities	10,313	12,860	(32)
Accounts receivable, trade, net	12,490	8,663	(33)
Inventories	1,155	760	(34)
Other short-term assets	929	835	(35)
Total short-term assets	**47,699**	**39,491**	
Long-term assets			
Long-term financial assets	36	88	(36)
Shares in affiliated companies	0	0	(37)
Property, plant and equipment	1,675	1,334	(38)
Intangible assets	10,756	6,697	(39)
Deferred tax claims	1,082	2,600	(40)
Other long-term assets	0	781	(41)
Total long-term assets	**13,549**	**11,500**	
Total assets	**61,248**	**50,991**	
EQUITY AND LIABILITIES			
Liabilities			
Short-term liabilities			
Trade payables	1,893	1,684	(42)
Prepayments received	211	35	
Other liabilities	4,177	2,714	(43)
Tax accruals	1,085	1,231	(44)
Accruals	4,416	3,117	(45)
Deferred items	6,604	4,744	(46)
Total short-term liabilities	**18,388**	**13,524**	
Long-term liabilities			
Liabilities due to banks	2	84	
Deferred taxes	493	0	(40)
Pension accruals	1,010	1,026	(47)
Deferred items	824	379	(46)
Total long-term liabilities	**2,329**	**1,490**	
Equity			(48)
Share capital	14,745	14,745	
Capital reserves	5,533	5,032	
Other reserves	6,912	2,317	
Adjustment item for foreign currency conversion	20	30	
Retained earnings	13,322	13,851	
Total shareholder's equity	**40,532**	**35,976**	
Total equity and liabilities	**61,248**	**50,991**	

Consolidated Profit and Loss Statement in accordance with IFRS for the Fiscal Year 2006/2007

€ 000	2006/2007	2005/2006	Anhang
Revenues	49,380	41,652	(50)
Cost of Sales	-5,902	-7,261	(51)
Gross profit	**43,478**	**34,390**	
Sales and marketing costs	-21,498	-17,527	(52)
Research and development costs	-7,389	-2,582	(53)
General administration costs	-5,642	-5,779	(54)
Other operating income	403	868	(55)
Other operating expenses	-768	-523	(56)
Result from ordinary operations	**8,583**	**8,847**	
Income from affiliated companies	-0	18	
Financial result	1,091	431	(57)
Result before taxes	**9,674**	**9,297**	
Taxes on income	-3,396	-1,267	(58)
Net profit	**6,278**	**8,029**	
Result per share – undiluted in €	**0.43**	**0.55**	**(59)**
Result per share – diluted in €	**0.41**	**0.53**	**(59)**

Consolidated Cash-Flow Statement in Accordance with IFRS for the Fiscal Year 2006/2007

€ 000	2006/2007	2005/2006
Cash-flow from operating activities		
Result before taxes and contributions by others to the result	**9,674**	**9,297**
Adjustments to reconcile net profit/net loss for the year to the cash-flow from operating activities		
• Depreciation/Amortization on property, plant and equipment and intangible assets	1,961	832
• Amortization on financial assets	58	7
• Change in pension provisions	-16	-19
• Interest income/interest expenses	-1,149	-439
• Change in other not-cash items	496	-53
Subtotal	11,023	9,626
Changes in assets and liabilities		
• Increase in inventories, receivables, other assets and active deferred income	-2,687	-65
• Reduction in liabilities, short-term provisions and passive deferred items	2,853	2,015
• Tax payments	-1,898	-169
Cash-flow from operating activities	**9,292**	**11,407**
Cash-flow from investment activities		
• Expenses for plant and equipment and intangible assets	-4,201	-4,954
• Expenses for investments in financial assets	0	-50
• Receipts/expenditure arising from changes to securities in the current assets	3,528	-2,836
• Payments made for acquisition of company (minus cash resources)	-1,081	0
• Interest receipts	1,216	446
Cash-flow from investment activities	**-539**	**-7,393**
Cash-flow from financing activities		
• Dividend payment	-2,212	0
• Changes in obligations to banks	-83	-21
• Interest payments	-21	-12
• Income from capital increase	0	45
Cash-flow from financial activities	**-2,315**	**12**
Increase in cash	6,439	4,026
Cash at the beginning of the fiscal year	16,373	12,347
Cash at the end of the fiscal year	**22,812**	**16,373**
Composition of cash*		
Cash assets	6	6
Bank assets	22,805	16,367
	22,812	**16,373**

*Quickly liquidatable securities are no longer reported as cash equivalents (see appendix 31)

Consolidated Changes in Equity in Accordance with IFRS on June 30, 2007

	Issued individual share certificates Number	Subscribed capital € 000	Capital reserves € 000	Other reserves € 000	Adjustment items for currency conversion € 000	Retained earnings € 000	Total equity capital € 000
Date June 30, 2003	**6,227,243**	**6,227**	**27,839**	**0**	**208**	**-27,972**	**6,303**
Capital increase as of September 5th, 2003	6,227,243	6,227	2,491				8,718
Cost of issuing shares for capital increase			-384				-384
Tax effect on cost of issuing shares for capital increase			150				150
Capital increase through exercising of options	1,542,428	1,542	894				2,437
Equity ratio from warranty bond			382				382
Annual net profit						3,117	3,117
Adjustment items for foreign currency conversion					3		3
Date June 30, 2004	**13,996,914**	**13,997**	**31,373**	**0**	**211**	**-24,855**	**20,725**
Capital increase through exercising of options	729,150	729	534				1,263
Withdrawals from capital reserves			-27,001			27,001	0
Annual net profit						5,994	5,994
Adjustment items for foreign currency conversion					-27		-27
Date June 30, 2005	**14,726,064**	**14,726**	**4,906**	**0**	**184**	**8,139**	**27,955**
Capital increase through exercising of options	19,385	19	25				45
Equity ratio of the issue of options			101				101
Annual net profit				2,317		5,712	8,029
Adjustment items for foreign currency conversion					-154		-154
Date June 30, 2006	**14,745,449**	**14,745**	**5,032**	**2,317**	**30**	**13,851**	**35,976**
Equity ratio of the issue of options			501				501
Dividend payment						-2,212	-2,212
Annual net profit				4,595		1,683	6,278
Adjustment items for foreign currency conversion					-11		-11
Date June 30, 2007	**14,745,449**	**14,745**	**5,533**	**6,912**	**20**	**13,322**	**40,532**

Appendix to the IFRS Consolidated Financial Statement of 30th June 2007

GENERAL

The consolidated financial statement for the fiscal year 2006/2007 has been prepared while applying § 315a 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.

The consolidated financial statement has been created in Euros. Unless otherwise stated, all values have been rounded to whole thousands of Euros.

Utimaco Safeware AG is a listed company in accordance with German law, with headquarters in Oberursel, Germany.

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) Majority holdings

The consolidated financial statement includes not only Utimaco Safeware AG but also three German companies (previous year: three) and eight non-German companies (previous year: seven) 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 internatinal 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
- Utimaco Safeware S.A., Paris, France (since 1st October 2006)

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 receivership, applied for insolvency on the 16th September 2002 and has been in receivership since that date. 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 in %	Equity € 000	Annual result € 000	Note
Utimaco Safeware Asia Ltd., Hongkong	49.90	-1,310	-92	(a)
Utimaco Safeware Belgium NV, in receivership, Heverlee, Belgien	41.07	-917	-1,562	(b)
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum	13.35	-159	-165	(c)

(a) Figures on 30th June 2006. Figures for 30th June 2007 not yet available
(b) Figures on 30th June 2002. The company has been in receivership since 16th September 2002
(c) Figures on 31st December 2006

The shareholding in the company Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, Germany, has been reported as an associated company because an Utimaco Management Board member is the Supervisory Board Chairman at GITS AG.

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 balance sheet 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 on the balance sheet cut-off date of 30th June 2007 in accordance with the IFRS.

The main differences to German accounting prin-
ci-
ples 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 amortization of goodwills, but unplanned amortization if required after the annual value retention check (IAS 36). In contrast, planned amortization as defined in German HGB.
- Taking account of remunerations to staff resulting from the share option scheme in the capital reserves and personnel costs (IFRS 2) in contrast to ignoring them as defined 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) Majority holdings

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. Any remaining asset-side difference is handled as goodwill and is submitted to a value retention check once a year, or at other times, if required, in accordance with IFRS 3.

Intra-group profits and losses, revenues and expenses and earnings, 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 from trade relationships between Utimaco Safeware AG and the affiliated companies have been eliminated according to the participation quota and the income tax effects 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 amortization is applied to it.

c) Participations in companies whose finance and business policy Utimaco Safeware AG neither significantly 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

Cash consists of cash in hand and credit at credit institutions and have been reported at their nominal value.

(7) Securities value

Securities are handled as financial instruments in accordance with IAS 39. Their valuation is taken at the point in time at which Utimaco becomes the contractual partner in terms of the regulations of the financial instruments. When the financial instruments are valued for the first time, they are assigned to the categories ”available for sale” or ”trading”. Securities that are ”available for sale” have been reported at their current market value in the balance sheet. The interest, calculated using the effective interest method, is recorded in the interest earning. In the year under review there were no profit and loss items that would have needed to be recorded in ”other comprehensive income” in the equity capital.

(8) Receivables

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

(9) 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 overhead, and administrative costs of production. Interest costs were not capitalized.

(10) 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 Accounts receivable, trade. The applicable level of completion is based on the realization of contractually specified sub-projects. If there is a negative balance, production orders have been reported under the corresponding liabilities.

(11) 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 balance sheet as expenses or earnings.

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.

(12) Other assets

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

(13) Long-term financial assets

Loans to affiliated companies have been balanced against their updated 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 assets have been classified as ”to be held until finally due” or "available for sale" and have been reported at their updated costs of acquisition or their current value (”fair value”) in accordance with IAS 39.

Each year, or if there were reasons to believe there has been a reduction in value, an impairment test was carried out and the reduction in value was 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.

(14) 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 declines in economic value that exceed the normal reduction in value due to normal use are 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 discarded or 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 reported in the balance sheet.

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 performance level, the related expenditure has been reported as retrospective 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.

(15) 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 balance sheet, with effect on expenses, 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).

(16) 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 amortization 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 research and development relating to new 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 in accordance with IAS 38. The costs are no longer capitalized once the prod-
uct is available for release to customers. Changes in version and updates involving these product lines do not fulfill the requirements of capitalization as defined in 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. Capitalized development costs are depreciated linearly over a period of 5 years. The book value of capitalized development costs is checked annually for its value retention.

b) Goodwill

Goodwill is regarded as the surplus of the acquisition costs, 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 balance sheet as an asset. The evaluation is based on the costs of acquisition. In accordance with IAS 36, the value retention of goodwill 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 with the corresponding designated goodwill amounts.

There were no indications that the goodwill should be reduced due to the reduction of the achievable revenues of the cash-generating unit.

(17) 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 updated costs of acquisition.

(18) 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 adjustments to charges and pensions. The working time expenses 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 2007. Actuarial profits and losses are recorded immediately with effect on income.

Remaining provisions are formed in accordance with 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.

(19) Share-based payment

The group applies the regulations defined in IFRS 2, "Share-based Payment".

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 balance sheet, over the vesting time period. Here, the group has estimated the number of shares that have been vested.

The accompanying current market value is determined on the basis of the Black & Scholes model. Here, the corporate management determines or estimates (to the best of its ability) the factors that are applied in the model. These include the expected remaining period to run, implied volatility and also 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.

(20) Revenue generation

Earnings have been recorded if it is probable that the business benefit linked to the corresponding business transaction will go to the company and the earnings 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.

(21) Grants

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

In the year under review no public monies were received for research and development projects.

(22) 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 balance sheet (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 balance sheet 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.

(23) 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.

(24) Cost of debts

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

(25) Taxes on earnings

In the case of the taxes on earnings the tax burden is calculated according to the annual income on which tax is due. It also includes deferred taxes. Deferred taxes are calculated using the balance sheet-oriented liability method and reflect the net tax effects of temporary differences between the book value of assets or debts in the commercial and tax balance sheet, consolidation procedures or tax losses carried forward that are achievable. Deferred tax claims 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 legal regulations that apply or have been passed as of the balance sheet date.

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

(26) 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 value 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 benefit of use 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 achievable 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 value entered in earlier years for an asset occurs if there is reason to believe that the depreciation is either no longer present or may have been reduced. The reinstatement of the original value is recorded as an earning in the balance sheet.

(27) 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 segments, internationally. 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 earnings, 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.

(28) Estimates used in the consolidated financial report

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

The main causes for uncertainty about the accuracy of estimates are provisions, and also concerning the probable payment that will need to be made in the future relating to the earn-out agreement arising from the acquisition of Utimaco Safeware S.A. (France). Additionally, the assumptions used to determine the personnel costs derived from share-based payments in accordance with IFRS 2 are based on estimated values.

(29) 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 indicate that the going concern assumption is incorrect, have been included in the balance sheet (value elucidation). Events after the balance sheet date, that require no adjustments, have been listed in the Appendix if they are important.

(30) Disclosures date

The consolidated financial statement approved by the Supervisory Board will be released for publication on the 28th September 2007.

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 for the individual balance sheet items shown below.

(31) Cash

The Cash consists of cash assets and bank assets.

€ 000	June 30, 2007	June 30, 2006
Bank assets	22,805	16,367
Cash assets	6	6
	22,812	**16,373**

This year, for the sake of clarity, the cash equivalents reported in this item last year (essentially Shares and Commercial Paper) have been reported separately, in the Securities item. Securities worth € 10.313 million were reallocated. The previous year's values (€ 12.860 million) were adjusted accordingly.

(32) Securities

The securities held are short-term investments of free liquidity with low value risk and short term-realization if required. On the balance sheet date securities worth € 10.313 million (previous year: € 12.860 million) were held.

(33) Accounts receivable, trade, net

Accounts receivable, trade, worth € 12.490 million (previous year: € 8.663 million) mostly have no longer than one month time allowed for payment, and are all due within twelve months.

No valuation adjustments or amortizations on receivables of note were made, as in the previous year.

The Accounts receivable, trade contain ”future receivables from production orders” worth € 277,000 (previous year: 0) and have been reported in the balance sheet using the Percentage of Completion method, in accordance with IAS 11. No payments on account have been received for these orders.

On the balance sheet date receivables still existed against companies in which the group had a shareholding, worth € 361,000 (previous year: € 50,000).

(34) Inventories

Inventories break down as follows:

€ 000	June 30, 2007	June 30, 2006
Raw materials and supplies	4	0
Work in progress	120	28
Goods	967	700
Advance payments	65	32
	1,155	**760**

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

(35) Other short-term assets

€ 000	June 30, 2007	June 30, 2006
Change in accounts receivable, other assets and deferred income	503	679
Taxes	263	23
Accounts receivable from employees	18	17
Deposits	33	42
Debit-side creditors	10	1
Interest receivable	90	47
Miscellaneous	12	26
	929	**835**

(36) Long-term financial assets

€ 000	June 30, 2007	June 30, 2006
Loans to affiliated companies	0	50
Securities classified as fixed assets	36	38
	36	**88**

An amount of € 1,000 (previous year: € 1,000) has been taken from the securities worth € 36,000 (previous year: € 38,000) to cover the legal settlement claims of staff from the Austrian subsidiary.

Long-term financial assets have developed as follows:

€ 000	Loans to affiliated companies	Securities	Total
2006/2007			
Gross values July 1, 2006	917	44	961
Currency conversion	0	0	0
Inputs	7	0	7
Gross values June 30, 2007	925	44	969
Depreciations on July 1, 2006	867	6	873
Currency conversion	0	0	0
Inputs	57	1	58
Gross values June 30, 2007	925	8	933
Net book values June 30, 2006	**50**	**38**	**88**
Net book values June 30, 2007	**0**	**36**	**36**
2005/2006			
Gross values July 1, 2005	863	44	907
Currency conversion	0	0	0
Inputs	54	0	54
Gross values June 30, 2006	917	44	961
Depreciations on July 1, 2005	863	4	867
Currency conversion	0	0	0
Inputs	4	2	6
Gross values June 30, 2006	867	6	873
Net book values June 30, 2005	**0**	**41**	**41**
Net book values June 30, 2006	**50**	**38**	**88**

(37) Shares in affiliated companies

Long-term assets reported as shares in affiliated companies include shareholdings in Utimaco Safeware Asia Ltd., Hong Kong, and in the company 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 amortized in fiscal 2003/2004. Since its application for insolvency on 16th September 2002 this company has been in receivership 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.	Summe
2006/2007			
Gross values July 1, 2006	50	507	557
Currency conversion	0	0	0
Inputs	0	0	0
Gross values June 30, 2007	50	507	557
Depreciations on July 1, 2006	50	507	557
Inputs	0	0	0
Gross values June 30, 2007	50	507	557
Net book values June 30, 2006	**0**	**0**	**0**
Net book values June 30, 2007	**0**	**0**	**0**
2005/2006			
Gross values July 1, 2005	50	507	557
Currency conversion	0	0	0
Inputs	0	0	0
Gross values June 30, 2006	50	507	557
Depreciations on 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**

(38) Property, plant and equipment

€ 000	June 30, 2007	June 30, 2006
Tenant's fixtures and fittings	96	11
Fixtures, furniture and office equipment	1,579	1,323
	1,675	**1,334**

Property, plant and equipment have developed as follows:

€ 000	Fixtures, furniture and office equipment	Tenant's fixtures and fittings	Total
2006/2007			
Gross values July 1, 2006	13	5,063	5,076
Currency conversion	0	0	0
Inputs	92	1,101	1,193
Inputs from acquisition of Company	0	25	25
Asset retirements/transfer postings	0	-551	-551
Gross values June 30, 2007	105	5,638	5,743
Depreciations on July 1, 2006	2	3,742	3,744
Currency conversion	1	8	9
Inputs	6	757	763
Asset retirements/transfer postings	0	-448	-448
Gross values June 30, 2007	9	4,059	4,068
Net book values June 30, 2006	**11**	**1,323**	**1,334**
Net book values June 30, 2007	**96**	**1,579**	**1,675**
2005/2006			
Gross values July 1, 2005	0	4,419	4,419
Currency conversion	0	0	0
Inputs	13	778	790
Asset retirements/transfer postings	0	-133	-133
Gross values June 30, 2006	13	5,063	5,076
Depreciations on July 1, 2005	0	3,238	3,238
Currency conversion	0	0	0
Inputs	2	586	588
Asset retirements/transfer postings	0	-84	-84
Gross values June 30, 2006	2	3,742	3,742
Net book values June 30, 2005	**0**	**1,181**	**1,181**
Net book values June 30, 2006	**11**	**1,323**	**1,334**

(39) Intangible assets

€ 000	June 30, 2007	June 30, 2006
Software and similar rights	7,872	5,417
Goodwill	2,884	1,280
	10,756	**6,697**

The following table shows the development of intangible assets:

€ 000	Software and similar rights	Goodwill	total
2006/2007			
Gross values July 1, 2006	15,360	4,399	19,759
Currency conversion	0	0	0
Inputs	3,275	529	3,804
Inputs from acquisition of Company	406	1,075	1,481
Asset retirements/transfer postings	-159	0	-159
Gross values June 30, 2007	18,883	6,002	24,885
Amortizations on July 1, 2006	9,943	3,119	13,062
Currency conversion	0	0	0
Inputs	1,198	0	1,198
Asset retirements/transfer postings	-130	0	-130
Gross values June 30, 2007	11,011	3,119	14,130
Net book values June 30, 2006	**5,417**	**1,280**	**6,697**
Net book values June 30, 2007	**7,872**	**2,884**	**10,755**
2005/2006			
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
Amortizations on 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**

The Software and Similar Rights item includes costs for the development of new software products worth € 7.701 million (previous year: € 4.787 million). From March 2007, for the first time, these costs were reduced by the value of planned amortizations worth € 509,000 (previous year: 0), producing a net book value of € 7.192 million.

The Goodwill contains the goodwill arising in the year under review from the acquisition of the French subsidiary Utimaco France S.A. This goodwill was worth € 1.075 million. The goodwill is composed of a difference worth € 1.346 million reduced by fair value adjustments worth € 406,000 identified in the course of the acquisition and increased by € 135,000 for deferred tax liability. Of the goodwill that has occurred, € 653,000 is based on future provisions arising in the context of an earn-out clause.

As a result of the legally effective conclusion of the legal action that has been pending since 1996, between our Dutch subsidiary Utimaco Safeware B.V., and the former shareholder, there was a retroactive purchase price adjustment which produced goodwill of € 529,000. This retroactive purchase price adjustment corresponds to a change in estimates in accordance with IAS 8, as Utimaco has until now assumed that the pending claim would be settled entirely in favor of its Dutch subsidiary. As a result, the goodwill increased in the year under review. For more information see also the notes on long-term asset values (41).

Details about the goodwill impairment test

The value retention check for the goodwill (goodwill impairment test) has been performed on the basis of the Cash and cash equivalents-generating units by comparing the achievable amount with the book value, where the targeted amount is based on the utility value.

The utility value is determined by using a modified Discounted Cash Flow procedure which is based on these factors:

- The cash flows are based on the management's current planning
- For the periods that lie after the planning, a growth rate of 3.5% has been assumed
- The rate of 10.0% was taken for the Weighted Average Cost of Capital (WACC)

The impairment tests do not have to result in a permanent reduction in value.

(40) Deferred taxes

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

The company's deferred taxes are as follows:

€ 000	June 30, 2007	June 30, 2006
Deferred tax assets		
• accumulated tax losses brought forward	5,043	5,838
• temporary and quasi-permanent differences	294	288
	5,337	6,126
Offsetting against deferred taxes within the same tax authorities	-4,256	-3,725
	1,082	2,401
Correction	0	199
	1,082	**2,600**
Deferred taxes	-4,749	-3,725
Offsetting against deferred taxes within the same tax authorities	4,256	3,725
	-493	**0**

Deferred tax claims worth € 5.337 million were formed under the tax relationship (previous year: € 6.126 million), as it seems probable that Utimaco Safeware AG will achieve taxable results before the as yet unused tax losses expire, and can use them for offsetting losses.

The details concerning deferred tax assets, reported in the previous year, have been corrected as follows in the year under review:

- Last year the information about deferred tax assets (before offsetting against deferred taxes) was based on the incorrect assumption that Utimaco Safeware AG would, within an estimated three years, achieve taxable results before the as yet unused tax losses expired, and could use them for offsetting losses. Instead of the reported € 4.100 million, it would have been necessary to report deferred tax claims of € 6.126 million (which would have been € 2.026 million more).
- The information about the deferred taxes did not take into account the deferred taxes on consolidation differences affecting the current-period result already formed in the previous year. Instead of the reported € 1.500 million, it would have been necessary to report deferred taxes of € 3.725 million (which would have been € 2.225 million more).

The correction of the two conflicting effects, affecting the current-period result, worth € 199,000, has been made in the current year under review within the deferred earnings taxes, reducing the current consolidated result.

The noncapitalized tax losses carried forward were as follows:

€ 000	June 30, 2007	June 30, 2006
Utimaco Safeware AG, Oberursel*, Germany	12,160	17,563
Utimaco Safeware Oy, Vantaa, Finland	1,647	1,570
Utimaco Safeware AG (Schweiz), Urdorf, Switzerland	496	559
Utimaco Safeware Ltd., Staines, Middlesex, England	1,547	1,528
Utimaco Safeware Inc., Foxboro, USA	2,383	1,659
Utimaco Safeware B.V., Arnhem, The Netherlands	0	77
uti-maco safeguard systems international GmbH, Oberursel, Germany	667	675
Utimaco Safeware KK, Yokohama, Japan	768	346
Miscellaneous	7	7
	19,675	**23,984**

*including contribution made by business premises worth € 2.295 million (previous year: € 2.040 million)

We also refer the reader to the information in no. (58) "Earnings taxes".

(41) Other long-term assets

€ 000	June 30, 2007	June 30, 2006
Receivables claimed from the former owner of shares in Utimaco Safeware B.V., Arnhem,The Netherlands	0	780

The legal action that has been pending since 1996, between our Dutch subsidiary Utimaco Safeware B.V., and the former shareholder, relating to receivables worth around € 780,000 was concluded, with legal effect, in the third quarter of 2006/2007. Here the former shareholder was ordered by the court to made a payment of € 236,000, plus interest of € 166,000, towards the original amount claimed against her, of € 780,000. The purchase price was also subsequently increased to € 529,000.

(42) Trade payables

As in the previous year, the total amount, € 1.893 million (previous year: € 1.684 million), is due within one year.

(43) Other liabilities

€ 000	June 30, 2007	June 30, 2006
Employee remuneration	2,294	1,739
Revenue and other taxes	781	421
Income and church tax	300	264
Social security contributions	133	99
Miscellaneous	669	191
	4,177	**2,714**

(44) Provisions for taxation

Tax provisions cover the amounts that the group's companies owe in taxes. These totaled € 1.085 million (previous year: € 1.231 million).

(45) Provisions

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

€ 000	Balance as of July 1, 2006	Consumption	Reassignment	Liquidation	Balance as of June 30, 2007	Probable drawdown
Vacation not yet taken	747	446	432	0	734	1st HY 2007/08
Other HR provisions	1,623	181	1,033	61	2,415	1st HY 2007/08
Rights to claim	100	66	0	0	34	Q4 2007/08
Other	647	604	1,329	138	1,233	until FY 2008/09
	3,117	**1,297**	**2,794**	**199**	**4,416**	

Other HR provisions contain provisions for the 3 Year Bonus Program, worth € 2.171 million (previous year: € 1.441 million). The other provisions primarily include an amount for the purchase price that is probably payable for the acquisition of the French subsidiary Utimaco Safeware S.A., worth € 653,000.

(46) Deferred items

Other deferred items mainly involve the deferral of servicing agreements for software for which invoices were sent in the period under review. They equaled € 7.428 million (previous year: € 5.123 million), of which € 6.604 million (previous year: € 4.744 million) will be due within one year.

(47) Provisions for pensions

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 in accordance with IAS 19. 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 € 45,000 in 2006/2007 (previous year: € 42,000).

No actuarial profits or losses occurred.

Provisions for pensions have developed as follows:

€ 000	June 30, 2007	June 30, 2006
Cash value of pension obligation July 1, 2006	1,026	1,045
Deferred working time expenses	1	2
Interest expenditure on the obligation	44	41
Technical insurance-related profit/loss	0	0
Paid entitlements to pension	-61	-61
Cash value of pension obligation June 30, 2007	**1,010**	**1,026**

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

%	June 30, 2007	June 30, 2006
Discount rate	5.30	4.75
Assumed future pension increases	1.75	1.5
Expected developments in wages and salaries	0.0	0.0

(48) Equity

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

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).

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.

Following a decision taken at the extraordinary general meeting on 1st August 2003 the capital stock was increased by the granting of an equity warrant issue 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. (equity warrant issue 2003). A total of 1,719,535 option rights were exercised from the 2003 warranty bond 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 equaled € 714,782.00 on the reporting date, 30th June 2006. As no other options from the 2003 warranty bond remained available for issuing, the restricted capital 2003/I which still existed on 30th June 2006 was completely canceled by making an entry in the Commercial Register on the 20th September 2006.

The Management Board and Supervisory Board will propose, at the General Meeting for fiscal year 2006/2007, that a dividend worth € 0.15 per share (previous year: € 0.15 per share) should be paid to the shareholders. The total amount would therefore be € 2.219 million (previous year: € 2.219 million).

(49) Own Shares

Utimaco Safeware AG holds none of its own shares.

NOTES FOR THE CONSOLIDATED INCOME STATEMENT

(50) Sales revenues

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

Sales revenues generated in each product group were as follows:

€ 000	2006/2007	2005/2006
Licences	32,321	26,283
Maintenance	9,988	7,653
Hardware	4,509	5,565
Service	2,232	1,490
Miscellaneous	329	661
	49,380	**41,652**

In the reporting period, with the application of IAS 11 ”Construction contracts“, contract revenues worth € 277,000 (previous year: 0) were taken into account.

(51) Cost of goos sold

The cost of goods sold breaks down as follows:

€ 000	2006/2007	2005/2006
Costs for purchased goods and services	2,492	2,132
Personnel costs	2,146	3,553
Depreciations	946	170
Miscellaneous cost of materials	319	1,407
	5,902	**7,261**

The contract revenue from POC is offset by costs worth € 166,000.

The depreciations contain € 509,000 from the amortization on capitalized development costs for SafeGuard Enterprise begun in March 2007 on completion.

Due to the advanced transformation of technologies into products in the Transaction Security division the development costs reported under the Cost of goods sold in the previous year were reallocated to the research and development costs, at the start of the fiscal year. The previous year’s values were not adjusted.

(52) Sales and marketing costs

Sales and marketing costs comprised:

€ 000	2006/2007	2005/2006
Personnel costs	13,171	10,749
Depreciations	226	245
Miscellaneous cost of materials	8,102	6,533
	21,498	**17,527**

(53) Research and development costs

Research and development are made up as follows:

€ 000	2006/2007	2005/2006
Personnel costs	4,875	1,485
Depreciations	348	162
Miscellaneous cost of materials	2,167	935
	7,389	**2,582**

In the reporting year, development costs of € 2.914 million (previous year: € 3.885 million) were capitalized.

Due to the advanced transformation of technologies into products in the Transaction Security division the development costs reported under the Cost of goods sold in the previous year were reallocated to the research and development costs, at the start of the fiscal year. The previous year's values were not adjusted.

(54) General administration expenses

Administration costs comprise:

€ 000	2006/2007	2005/2006
Personnel costs	3,182	3,032
Depreciations	349	265
Miscellaneous cost of materials	2,110	2,481
	5,642	**5,779**

(55) Other operating earnings

Other operating earnings consist of the following:

€ 000	2006/2007	2005/2006
Rental earnings	89	117
Profits on currency exchange	20	74
Earning from the liquidation of allowances to account for bad debt	0	71
Resolution of provisions	138	85
Subsequent claim for payment from rental agreement	0	122
Earnings from time-barred overpayments	0	82
Miscellaneous	156	317
	403	**868**

(56) Other operating expenditure

Other operating expenses break down as follows:

€ 000	2006/2007	2005/2006
Losses on currency exchange	202	52
Valuation adjustment on accounts receivable	128	200
Redemption payments due to contract termination ahead of time	120	0
Miscellaneous	318	271
	768	**523**

(57) Financial result

The financial result in the reporting year equaled € 1.091 million (previous year: € 432,000). This amount includes interest earnings worth € 1.170 million (previous year: € 451,000). In the fiscal year interest expenditure equaled € 21,000 (previous year: € 12,000). The depreciation on financial assets in the fiscal year was € 58,000 (previous year: € 7,000).

(58) Earnings taxes

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

€ 000	2006/2007	2005/2006
Actual tax yield/expenditure		
• of which Germany	-1,323	-644
• of which outside Germany	-197	-23
Total actual tax yield/expenditure	-1,520	-667
Deferred tax yield/expenditure		
• of which Germany	-3,076	-600
• of which outside Germany	1,200	0
Total deferred tax yield/expenditure	-1,876	-600
	-3,396	**-1,267**

The deferred tax expenditure for Germany of € 3.076 million (previous year: € 600,000) contains € 2.130 million (previous year: € 900,000) from the write-off of deferred tax claims on accumulated losses brought forward, particularly as a result of use, as well as € 946,000 (previous year: € 1.500 million) from the creation of deferred tax liabilities, particularly relating to the capitalization of development costs (€ 904,000).

The non-domestic deferred tax yield (€ 1.200 million) resulted with € 1.082 million mainly from the initial capitalization of deferred tax assets on tax-loss carry-forwards for foreign group companies (USA and Switzerland), since use has become probable there.

€ 000	2006/2007	2005/2006
Result before taxes		
• Germany	11,534	10,851
• outside Germany	-1,860	-1,554
	9,674	**9,297**

The taxes on earnings consist of corporate income tax, the Germany solidarity surcharge, and trade tax on income, as well as foreign equivalents. Deferred taxes are formed for all major temporary and quasi-permanent differences between the commercial and tax balance sheets in accordance with IAS 12.

We also refer the reader to the information in section (40) ”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. Since, in accordance with IAS 12.48, the taxes due are calculated using the current valid taxation rates and tax regulations, and the German tax reform 2008 has just been announced, with the approval of the complete package by the German Bundesrat on the 6th July 2007, the tax reduction resulting from that tax reform, contained in the current consolidated financial statement to the 30th June 2007 has not yet had any effect on the evaluation of the tax claims and deferred taxes.

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

€ 000	2006/2007	2005/2006
Net income before taxes on earnings	+9,674	+9.297
Group earnings tax rate	37.6%	37.6%
Expected tax yield	-3,637	-3,496
Tax effect on (permanently) nondeductible operating expenses minus tax-free earnings	-165	+261
Difference from foreign earning tax rates	+79	-90
Tax effects arising from consolidation postings	-97	+480
Creation of deferred taxes on accumulated losses brought forward	+776	+2,151
Tax effects on changes in accumulated losses brought forward, for which no deferred taxes have been formed	-303	-574
Other	-49	+1
Actual tax expenditure/yield	**-3,396**	**-1,267**

(59) 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 2006/2007, the weighted average number of shares for determining the undiluted and diluted earnings per share was 2006/2007:

Number of shares	2006/2007	2005/2006
Weighted average – undiluted	14,745,449	14,732,596
Weighted average – diluted	15,225,449	15,174,600

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

€	2006/2007	2005/2006
Result per share – undiluted	0.43	0.55
Result per share – diluted	0.41	0.53

The dilution of the result per share was caused by the share option scheme approved by the General meeting on the 24th November 2005.

	June 30, 2007	June 30, 2006
Shares from subscribed capital	14,745,449	14,745,449
Shares from limited capital	18,500	250,000
Issued share options	461,500	230,000
Shares including dilution	15,225,449	15,225,449

SEGMENT REPORTING

The markets in which Utimaco is active differ in 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

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

Personal Device Security

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

Transaction Security

The Transaction Security division develops security solutions for reliable digital business processes. The technologies used here include security gateways, digital signatures and hardware security modules, which provide optimum protection for cryptographic services within a secure hardware environment. In addition, the Transaction Security division has also developed technologies and management systems for the legally-compliant monitoring of telecommunications services. Products from the Transaction Security division are sold both directly and indirectly.

The overview shows external earnings as well as earnings between the segments. The basis for offsetting deliveries and services between the segments is the valid price applied to customers.

€ 000	Personal Device Security 2006/07	PY	Transaction Security 2006/07	PY	Elimination/ General 2006/07	PY	Total 2006/07	PY
External sales	40,746	32,642	8,634	9,009	0	0	49,380	41,652
Income between segments	0	0	958	762	-958	-762	0	0
Total sales	**40,746**	**32,642**	**9,592**	**9,772**	**-958**	**-763**	**49,380**	**41,652**
Merchandise sold	-2,051	-1,573	-1,411	-1,348	970	789	-2,492	-2,132
Depreciations	-1,260	-391	-263	-180	-347	-271	-1,869	-842
Operating costs	-27,815	-22,892	-6,009	-5,646	-5,160	-5,523	-38,984	-34,061
SW capitalization	2,914	3,885					2,914	3,885
Segment result	**12,533**	**11,672**	**1,910**	**2,599**	**-5,494**	**-5,768**	**8,948**	**8,502**
Other operating income							403	868
Other operating expenditure							-768	-523
Result from ordinary operations							**8,583**	**8,847**
Income from affiliated companies							0	18
Financial result							1,091	431
Result before taxe							**9,674**	**9,297**
Taxes on income							-3,396	-1,267
Result after tax and before allowance made for minority interests							**6,278**	**8,029**
Minority interests							0	0
Result after tax and after allowance made for minority interests							**6,278**	**8,029**
Assets	**25,435**	**16,632**	**6,356**	**4,313**	**29,457**	**30,345**	**61,248**	**50,991**
Debts	**13,897**	**9,597**	**2,193**	**1,538**	**4,626**	**3,880**	**20,716**	**15,015**
Investments								
• Intangible assets	5,000	4,027	179	19	106	167	5,285	4,212
• Property, plant and equipment	768	505	115	133	334	152	1,218	790
• Financial assets	–	–	–	–	–	–	–	–

Secondary Segment Reporting

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

	2006/2007 € 000	2006/2007 %	2005/2006 € 000	2005/2006 %
Germany	21,816	44	22,682	54
Europe	13,441	27	10,501	25
United States	11,066	22	6,675	16
Rest of the world*	3,057	6	1,793	4
	49,380	**100**	**41,652**	**100**

*Asia/Pacific/Africa

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 2006/2007	2005/2006	Investments in intangible assets and property, plant and equipment 2006/2007	2005/2006
Germany	18,634	12,950	3,620	4,331
Europe	7,786	5,084	2,217	269
United States	4,862	2,425	222	79
Rest of the world	510	486	3	5
Total segments	**31,792**	**20,945**	**6,062**	**4,684**
General	29,457	30,045	440	319
Total assets	**61,248**	**50,991**	**6,503**	**5,003**

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, investment 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.

Liquid assets consist exclusively of cash in hand and current account bank credit with daily availability. No major changes occurred to these liquid assets as a result of exchange rate fluctuations.

In the year under review there was a change in the financial resources fund. The short-term securities previously reported in the financial resources fund are no longer recorded as cash equivalents. Changes to securities are now recorded under the Cash flow from operating activity.

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.

Acquisition of company Utimaco Safeware France S.A.

€ 000	
Purchase price	2,348
of which will affect payment in 2006/2007	1,201
Purchased assets and debts	
Cash and cash equivalents	120
Securities classified as current assets	995
Fixed and liquid assets including fair value adjustments	1,305
Change in accounts receivable, other assets and deferred income	105
Liabilities and provisions	999
Accrued income	253
Goodwill	1,075

OTHER DISCLOSURES

(60) Share-based payment for staff

In the reporting period the second, and at the same time, last tranche of the share option scheme approved by the General meeting on the 24th November 2005 was issued, totaling 231,500 option rights. Of these, 151,500 option rights were granted to staff members and 80,000 option rights were granted to management board members.

	Options total	thereof Management Board	can be exercised from	to	Reference share price	Reference DAX
Tranche I.	230,000	80,000	Feb 2009	Feb 2012	€ 8.09	5,188
Tranche II.	231,500	80,000	Nov 2009	Nov 2012	€ 11.43	6,412
Total	**461,500**	**160,000**				

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

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

- if, during the twelve months before the expiration of the relevant option, the weighted average domestic listed share price (Germany) for the company's shares (average price as defined in § 5 of the German Angebotsverordnung (Offer Ordinance) in the WpÜG (Wertpapiererwerbs- und Übernahmegesetz: German Securities Acquisition and Takeover Act) 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 previous bullet point 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.

By contrast, management board members 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").

Personnel costs with a value of € 501,000 (previous year: € 101,000) have been recorded, relating to the share option scheme in the year under review in accordance with IFRS 2.

The values of the options were determined at the time of issue they were issued in accordance with IFRS 2, on the basis of the Black & Scholes model, by means of the following parameters:

	Tranche I	Tranche II
Value of an option at the time of issue	€ 4.26	€ 6.34
Parameter		
Option striking price	€ 6.51	€ 6.51
Expected remaining period to run	3.5 years	3.5 years
Weighted average price when granted	€ 9.6780	€ 12.1298
Implied volatility	40%	40%
Expected dividends over the runtime period	€ 0.4317	€ 0.5749
Risk free interest rate over the expected runtime period for the options	3.50%	3.77%

Each type of expected volatility was assumed to be at a level of 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, equaled € 480,000.

(61) Relationships with Related Parties

In addition to the companies already listed in the consolidated financial statement, and the Management Board and Supervisory Board (see also Notes (69) and (70)), the following companies and people were also associated with Utimaco as defined in IAS 24:

- Gesellschaft für IT Sicherheit AG (GITS AG), Bochum
- Utimaco Safeware Asia Ltd., Hong Kong

On the balance sheet date the following net external assets existed in relation to associated companies and persons:

€ 000	June 30, 2007	June 30, 2006
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum	0	50
Utimaco Safeware Asia Ltd., Hong Kong	361	50
	361	**100**

The receivable due from GITS AG in the previous year, worth € 50,000, was comprehensively adjusted for value in the year under review.

There were the following liabilities to related parties:

€ 000	June 30, 2007	June 30, 2006
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, Germany	0	0
Utimaco Safeware Asia Ltd., Hong Kong	138	0
	138	**0**

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

€ 000	GITS AG	Utimaco Asia Ltd.
Purchase from…	32	138
Sales to…	0	388

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

(62) Group auditor fees reported as expenses

In fiscal year 2006/2007 fees totaling € 114,000 (previous year: € 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	June 30, 2007	June 30, 2006
Audit	98	84
Other certification or assessment services	1	20
Tax consulting services	11	5
Other services	4	2
Total	**114**	**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. Fees for tax consultancy include among others consultation services concerning Utimaco Safeware AG's tax returns which the tax statement of capital gains relating to the initial dividend payment to shareholders in the company contain.

(63) 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 nonpayment, 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 in normal business conditions are retained until they expire, are recorded at their 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, to be calculated using market prices listed on the stock exchange, 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 asset 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 types 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.

(64) Contingencies and potential risks

The legal action that has been pending since 1996, between our Dutch subsidiary Utimaco Safeware B.V., and the former shareholder, relating to receivables worth around € 780,000 was concluded, with legal effect, in the third quarter of 2006/2007. Here the former shareholder made a payment of € 236,000 towards the original amount claimed against her, of € 780,000, and also paid € 166,000 in interest, which had been awarded to Utimaco as a result of the legal dispute. The purchase price was also retrospectively increased to € 529,000.

(65) Other financial obligations

On the balance sheet date there were obligations from long-term rental and lease agreements of € 6.603 million (previous year: € 8.215 million). Of these, € 1.948 million (previous year: € 1.923 million) was due within one year, € 4.454 million (previous year: € 5.959 million) was due within two to five years, and € 201,000 (previous year: € 333,000) was due after five years. 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 equaled € 2.184 million (previous year: € 2.351 million).

(66) New IFRS/IAS guidelines which can be applied voluntarily

In addition to the IFRS standards mentioned above, additional IFRS standards had been published by the IASC, and entered in force, on the reporting date. The following can be applied, but there is no requirement to do so:

- **IAS 1:** Presentation of Financial Statements - additional details about the company's financial position, financial performance, and cash flows. (This standard must be applied for fiscal years after 1st January 2007.)
- **IFRS 7:** Disclosures about financial instruments (This standard must be applied for fiscal years after 1st January 2007.)
- **IFRS 8:** Operating segments (This standard must be applied for fiscal years after 1st January 2009.)
- **IFRIC 10:** Interim Financial Reporting and Impairment (This standard must be applied for fiscal years after 1st November 2006.)
- **IFRIC 11:** Group and Treasury Share Transactions in accordance with IFRS 2 (This stan-

dard must be applied for fiscal years after 1st March 2007.)

- **IFRIC 12:** Service Concession Arrangements (This standard must be applied for fiscal years after 1st January 2008.)

- **IFRIC 13:** Customer Loyalty Programmes (This standard must be applied for fiscal years after 1st July 2008.)

- **IFRIC 14:** The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (This standard must be applied for fiscal years after 1st January 2008.)

The company makes no use of the option of voluntary application before it is a requirement to do so. The Management Board expects that applying these standards in future reporting periods will have no effects on the consolidated financial statement, with the exception of the following:

- **IAS 1:** The revised IAS 1 standard requires the company to provide additional details about its aims, strategies and processes relating to managing capital. The company must also provide quantitative data about what it regards as capital, and information about its capital requirements

- **IFRS 7:** The new IFRS 7 standard defines the duties that companies have to disclose information about financial instruments. The standard requires disclosures by class of similar financial instruments. Disclosures must be made according to these classes. The most important disclosures required concern the significance of financial instruments for the company's financial position, and the nature and extent of risks, especially quantitative and qualitative details about credit, liquidity and market risks, arising from financial instruments to which the company is exposed during the period and at the reporting date, and how the entity manages those risks.

- **IFRS 8:** This standard replaces IAS 14 as the applicable standard for segment reporting. Instead of a risk and reward approach the new IFRS 8 uses a management approach in segment reporting. According to this principle, a "segment" is no longer defined as being a particular product/service or customer group, but is defined according to the group's internal organizational/reporting structure. Consequently it is also possible to define components of an company that sell exclusively to other operating segments of the company as segments. IFRS 8 also requires segment information to be reconciled to the company's internally reported figures relating to budgeting and cost/revenue control. Accordingly IFRS 8 does not define sales revenue, expense, asset and debts, but does require an explanation of how the reporting company uses these terms. At the time at which this annual report is being prepared, approval of IFRS 8 by the EU is still disputed.

- **IFRIC 11:** an interpretation that contains guidelines for the application of IFRS 2 in different situations, which include among others the case that is relevant for Utimaco: when a parent company grants rights to its equity instruments to employees of a subsidiary. If the granting of these rights is accounted for as equity-settled in the consolidated financial statements, then the subsidiary is required to measure the services received using the requirements for equity-settled transactions in IFRS 2, and must recognize a corresponding increase in equity as a contribution from the parent.

(67) Number of staff

The company employed an average of 278 persons during 2006/2007 (previous year: 239). In fiscal year 2006/2007, personnel expenses equaled € 23.374 million (previous year: € 18.820 million).

(68) 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.

(69) Management Board

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

Martin Wülfert,
Chief Executive Officer
Oberursel, Germany

Christian Bohne,
Chief Financial Officer
Bad Homburg v.d.H., Germany
Other positions:
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, Germany, Chair of 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: monthly salary payments, a direct insurance premium payment equaling the current legally-defined maximum income tax lump sum amount, as defined in § 40b EstG (Einkommensteuergesetz: German income tax law), and 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. This bonus is based on the company's recent financial success.

As a variable element of their remuneration with a long-term incentive effect the members of the Management Board participate in a 3 Year Bonus Program and a share option scheme. The 3 Year Bonus Program was introduced in reporting year 2004/2005 and is based on the growth and results targets for the Utimaco group for the fiscal years 2004/2005 until 2006/2007. The 3 Year Bonus Program will be calculated at the end of the 2006/2007 fiscal year on the basis of targets that have been achieved by then.

It is not permitted to change the defined annual and long-term targets.

The total remuneration paid to the Management Board in the reporting year equaled € 1.123 million (previous year: € 1.169 million). This included fixed elements worth € 410,000 (previous year: € 407,000) and also variable elements worth € 713,000 (previous year: € 761,000). The variable remuneration element includes a provision for expenditure worth € 406,000 (previous year: € 504,000).

In the reporting period a total of 80,000 share options, with a current market value of € 508,000, were issued to the management board members.

(70) Supervisory Board

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

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

Prof. Dr. Manfred Schlottke, München, Deputy Chairman of the Supervisory Board
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

Prof. Dr.-Ing. Heinz Thielmann, Heroldsberg
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 Supervisory Board
Mania Technologie AG, Weilrod, Germany, Member of the Supervisory Board
Mosaic Software AG, Meckenheim, Germany, Member of the Supervisory Board
MVC Mobile Video Communication GmbH, Frankfurt, Germany, Chairman of the Supervisory Board
tsm total sourcing management GmbH, Nuremberg, Germany, Member of the Advisory Board

Julius L. Marcus, Davenport, USA
Business Consultant

Hans Strack-Zimmermann, Schliersee
Managing Director of Strack-Zimmermann Familien GBR, Schliersee, Germany
Other positions:
Brainloop AG, Munich, Germany, Chairman of the Supervisory Board
Update Software, Vienna, Austria, Deputy Chairman of the Supervisory Board
Strack-Zimmermann Familien GBR, Schliersee, Germany, Managing Director
Inventment GmbH i.L., Managing Director

Georg Reisch, Sparrenberg, Switzerland (since 17th November 2006)
Independent businessman
Other positions:
Dooyoo AG, Berlin, Germany, Chairman of the Supervisory Board
Pani Projections and Lighting GmbH, Vienna, Austria, Chairman of the Advisory Board
Healy Hudson GmbH, Mainz, Germany, Chairman of the Advisory Board

In the reporting year, remunerations to the Supervisory Board equaled € 130,000 (previous year: € 137,000), of which the variable part equaled € 65,000 (previous year: € 69,000).

Oberursel, September 2007

Martin Wülfert
Chief Executive Officer

Christian Bohne
Chief Financial Officer

Auditors' Report

We have audited the consolidated financial statements, prepared by the Utimaco Safeware AG, Oberursel, 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 consolidated financial statements, together with the group management report for the business year from 1 July 2006 to 30 June 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying our opinion, we refer to the deferred tax asset of EUR 953k relating to the tax loss carry forwards of Utimaco Safeware Inc., Foxboro, USA. The fair value of the deferred tax asset is dependant upon achieving the profit before tax for 2007/2008 planned for this company.

Frankfurt am Main,
20th September 2007

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 14th June 2007 was approved in the Management Board and Supervisory Board meeting of 20th September 2007 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 German Corporate Governance Codex

- **Electronic transmission of convocation of the Annual General Meeting and documents of convocation (2.3.2)**

According to the Transparency Directive Implementing Act (Transparenzrichtlinien-Umsetzungsgesetz, TUG), which became effective in January 2007, the electronic transmission of information to shareholders requires, in addition to the individual consent of the respective shareholder, the approval of the Annual General Meeting (q.v. § 30b para 3 Securities Trading Act (Wertpapierhandelsgesetz – WpHG)). To maintain for Utimaco the possibility of transferring information to shareholders via data transmission (subject to the respective shareholder's consent) the next Annual General Meeting shall decide on a corresponding amendment of the by-laws.

- **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.

- **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

Person obliged to notify	Reason for notification	ISIN	Financial instrument	Transaction	Date of transaction	Place	Price in €	Pieces	Value of transaction in €
Helmuth Coqui	Chairman of the Supervisory Board	DE0007572406	Share	sell	June 06, 2007	Xetra	13.50	4,000	54,000.00

Report of the Supervisory Board

Dear shareholders,

In fiscal year 2006/2007 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 company and group management issues and planning. 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 these variations, in detail, in meetings with the Management Board. Even outside meetings, the Management Board has kept the Supervisory Board informed about how the business is proceeding, including developments in revenues and profitability, important busi-ness transactions and other issues of particular significance, 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, on the business situation in the company's subsidiaries, 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

The General Meeting on the 17th November 2006 appointed Mr. Georg Reisch as a new Supervisory Board member, until the General Meeting for fiscal year 2010/2011. He replaced Mr. Hazem Ben-Gacem, who resigned his post as Supervisory Board member on the 14th June 2006. Otherwise there were no changes in the Supervisory Board in fiscal 2006/2007.

Work of the Committees

The Supervisory Board has set up an Auditing Committee and a Human Resources Committee. The Auditing Committee met once in the year under review. It concentrated on reporting (preparing and publishing annual financial statements) within the company and the group, and set the budget for services provided by the auditor.

The Human Resources Committee met once in the year under review, providing consultation on, and approving, the allocation of the second tranche of the 2005 share option scheme.

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

Corporate Governance

In fiscal year 2006/2007, as in previous years, the Supervisory Board and Management Board held detailed consultations about Corporate Governance in the company, and issued a new joint Declaration of conformity in September 2006 on the basis of the (German) Corporate Governance Codex, version of 12th June 2006. Following the year under review, in September 2007, 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 14th June 2007. 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 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 2007, created in accordance with the guidelines of the German trade regulations (Handelsgesetzbuch), the consolidated financial statement for the company to the 30th June 2007, 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 2006/2007, and gave them their unqualified audit opinion.

Following suitable preparation by the Auditing Committee, the Supervisory Board has audited the annual financial statement for the company, and consolidated financial statement, the financial report, and the consolidated financial report, issued by the Management Board for the fiscal year 2006/2007. It also assessed the Management Board's proposal for the utilization of the net profit for the year, to be made to the General Meeting. 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. The Supervisory Board hereby declares it has no reservations about the annual financial statement for the company, financial report, consolidated financial statement, and the consolidated financial report, for the fiscal year 2006/2007, which it has audited, after completing the audit. Neither does the Supervisory Board see any reason to dispute the auditor's audit reports.

The Supervisory Board has approved the annual financial statement for the company, and the consolidated financial statement, to the 30th June 2007, and the annual financial report for the com-pany to the 30th June 2007 is thereby adopted. The Supervisory Board also approves the financial report for the fiscal year 2006/2007.

The Supervisory Board approves the Management Board proposal to utilize the profit achieved by taking an amount of € 4.595 million from the year-end surplus of € 6.806 million achieved in fiscal year 2006/2007 and moving it to other profit accruals, and to distribute the then remaining net profit for the year of € 2.212 million among the shareholders through the payment of a dividend of € 0.15 per share.

The details relating to §§ 289 Para. 4, 315 Para. 4 HGB (legal guidelines relating to the performance of acquisitions) are provided in the financial report on pages 31 and 32. The Supervisory Board hereby declares it has no reservations about these details and notes, which it has audited, and considers to be complete.

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

Oberursel, September 2007

For the Supervisory Board

Helmuth Coqui
Chairman of the Supervisory Board

Financial Calendar

Event	Date
Report for the first quarter FY 2007/2008	November, 2007
Analysts Presentation, Fall Forum of the German Stock Exchange	November 12, 2007
Annual General Meeting for the FY 2006/2007	November 27, 2007
Report for the first six months 2007/2008	February 2008
Report for the first nine months 2007/2008	May 2008
Analysts Conference for FY 2007/2008	September 2008

Publishing Information

Publisher
Utimaco Safeware AG

Conception, Design and Production
wagneralliance Werbung GmbH

Lithografy
Lots of Dots MediaServices GmbH

Printing
NK Druck + Medien GmbH

360

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