Annual Report 2007/2008

SafeGuard Enterprise

When all of the components of a security solution work well together, the result is greater than the sum of its parts. This is the principle we have applied with SafeGuard Enterprise. The added value comes in the form of clarity, adaptability, and the pleasure of successfully implementing comprehensive security concepts.

Overview of Key Figures

€ million	2007/2008	2006/2007
Revenue	59.2	49.4
Cost of Sales	-8.6	-5.9
EBITDA	10.9	10.5
EBIT	8.2	8.5
Net profit	4.9	6.3
Earnings per share (in acc. with IAS) – undiluted (in €)	0.33	0.43
Earnings per share (in acc. with IAS) – diluted (in €)	0.32	0.41
Total assets	67.4	61.2
Equity	44.2	40.5
Operating cash flow (in acc. with IAS)	3.6	9.5
Employees (average over the year)	301	276

Content

Utimaco Group

	Subsidiaries	Development Sites	Representative Offices
Australia			■ 1)
Germany	*Headquarters*	■	
Finland	■		
France	■		
Great Britain	■		
Hong Kong	*Joint Venture*		
India			■ 1)
Japan	■		
The Netherlands	■		
Austria		■	
Poland			■ 1)
Sweden	■		
Switzerland	■		
Spain			■ 1)
USA	■	■ 1)	

1) Since Q1 2008/2009

Utimaco Safeware AG – The Data Security Company.

Celebrating 25 years in business, Utimaco is a leading global provider of data security solutions, enabling mid- to large-size organizations to safeguard their data assets against intentional or accidental data loss, and to comply with privacy laws. Utimaco's complete range of data security solutions provide full 360 degree data protection for data at rest, data in motion and data in use. Utimaco offers its customers comprehensive on-site support via a world-wide network of certified partners and subsidiaries. Utimaco Safeware AG, with headquarters in Oberursel, near Frankfurt, Germany, is listed on the Frankfurt Stock Exchange (ISIN DE0007572406). For more information please visit www.utimaco.com.

Annual Report 2007/2008

utimaco safeware

Foreword by the Management Board

Dear shareholders, friends and business partners of Utimaco,

With this report, we are looking back on a financial year in which we focused on the successful market launch and completion of our new SafeGuard Enterprise product range. Our conservative outlook at the end of the previous financial year was a sign of the uncertainty that inevitably comes with the transition to a new product range in the enterprise software market. This makes it all the more satisfying that, following a flat first quarter, SafeGuard Enterprise started to generate significant growth momentum in the second quarter and significantly exceeded our expectations after the first six months. This positive trend continued throughout the rest of the financial year, allowing the Utimaco Group to record encouraging revenue growth of 20% to € 59.2 million for the year as a whole.

We are delighted by the growing success of SafeGuard Enterprise, the largest development project in the Company's history. The number of workstations protected by SafeGuard Enterprise more than tripled between the first and second half of the year. At the reporting date, Utimaco customers used our new security solution to safeguard their data at more than 400,000 workstations. The customers who have chosen to employ SafeGuard Enterprise throughout their organizations include a leading global provider of IT consulting and outsourcing services, a Canadian government authority, a European federal state authority, and a major U.S. university. We have also presented a number of new security modules for use in conjunction with SafeGuard Enterprise's centralized management function. The Network Product Guide, an international security publication by the media company Silicon Valley Communications, recognized SafeGuard Enterprise as the best product in the category of mobile security. The jury reserved special praise for the functions of the suite that allow data to be secured on a cross-platform basis.

Following the successful transition to the new product range, the revenue generated by our Data Protection division increased by 15.4% to € 49.8 million in the period under review. Solutions for the lawful monitoring of telecommunications services (LIMS) also enjoyed substantial growth, rising by 51.7% to € 9.4 million.

An analysis of regional revenue development shows that there are clear differences in the speed of the transition process. In Germany, a seven-digit order for SafeGuard Enterprise helped revenue to increase by a further 11.9% from the high level recorded in the previous year to total € 24.4 million. In the rest of Europe, revenue grew by 39.6% to € 18.8 million. The Americas region recorded a slight decline in revenue in the first three quarters of the past financial year; however, a strong fourth quarter, including the receipt of a major order for SafeGuard Enterprise from a leading global IT consulting company, meant that revenue for the year as a whole increased by 7.0% to € 11.9 million. In local currency, this corresponds to growth of 21.9%.

The operating result (EBITDA) increased slightly year-on-year to € 10.9 million. The figure for the previous year included the positive effect of capitalized development costs in the amount of € 2.9 million. Adjusted for this factor, we improved our operating performance by 43.3%, meaning that the growth in earnings outstripped our revenue growth.

Martin Wülfert • Chief Executive Officer

Christian Bohne • Chief Financial Officer

Malte Pollmann • Chief Product Officer

Olaf Siemens • Chief Technology Officer

In the past financial year, we pressed ahead with our systematic focus on indirect sales. The share of total revenues generated from indirect sales grew from 72% in the previous year to 74%. With Nokia Siemens Networks (NSN), Motorola, Huawei and a large Scandinavian provider, this means that the LIMS division can count almost all of the leading global telecommunications companies among its sales partners. As a result of the successful internationalization of our LIMS activities, the share of revenue attributable to sales outside Germany increased from 27% in the previous year to 46%. The revenue invoiced in Germany was primarily generated by an OEM partner that sells our LIMS solutions abroad.

We also succeeded in further expanding our technology partnerships. In cooperation with Microsoft, the Windows Vista BitLocker security feature was integrated into SafeGuard Enterprise's central management system. As part of our technology partnership with Intel, the first joint concepts have been developed for the management of Intel's anti-theft technology using SafeGuard Enterprise following the adjustment of the SafeGuard range to incorporate Intel's Active Management Technology (AMT). Utimaco has once again been positioned in the Leaders Quadrant of this year's Gartner study ”Magic Quadrant for Mobile Data Protection” (September 2008). Again Gartner considers SafeGuard Enterprise to be the product with the strongest valuation in the dimension ”Completeness of Vision”. We believe that this positioning is a confirmation of our strong vision and our ability to execute.

In the current 2008/2009 financial year, we intend to round out our flagship product, SafeGuard Enterprise, with additional modules. In the dynamic growth market for information protection and control (IPC), which covers a wide range of data security technologies, we intend to use SafeGuard Enterprise to expand our product leadership and reinforce our image as the undisputed experts in the field of information protection.

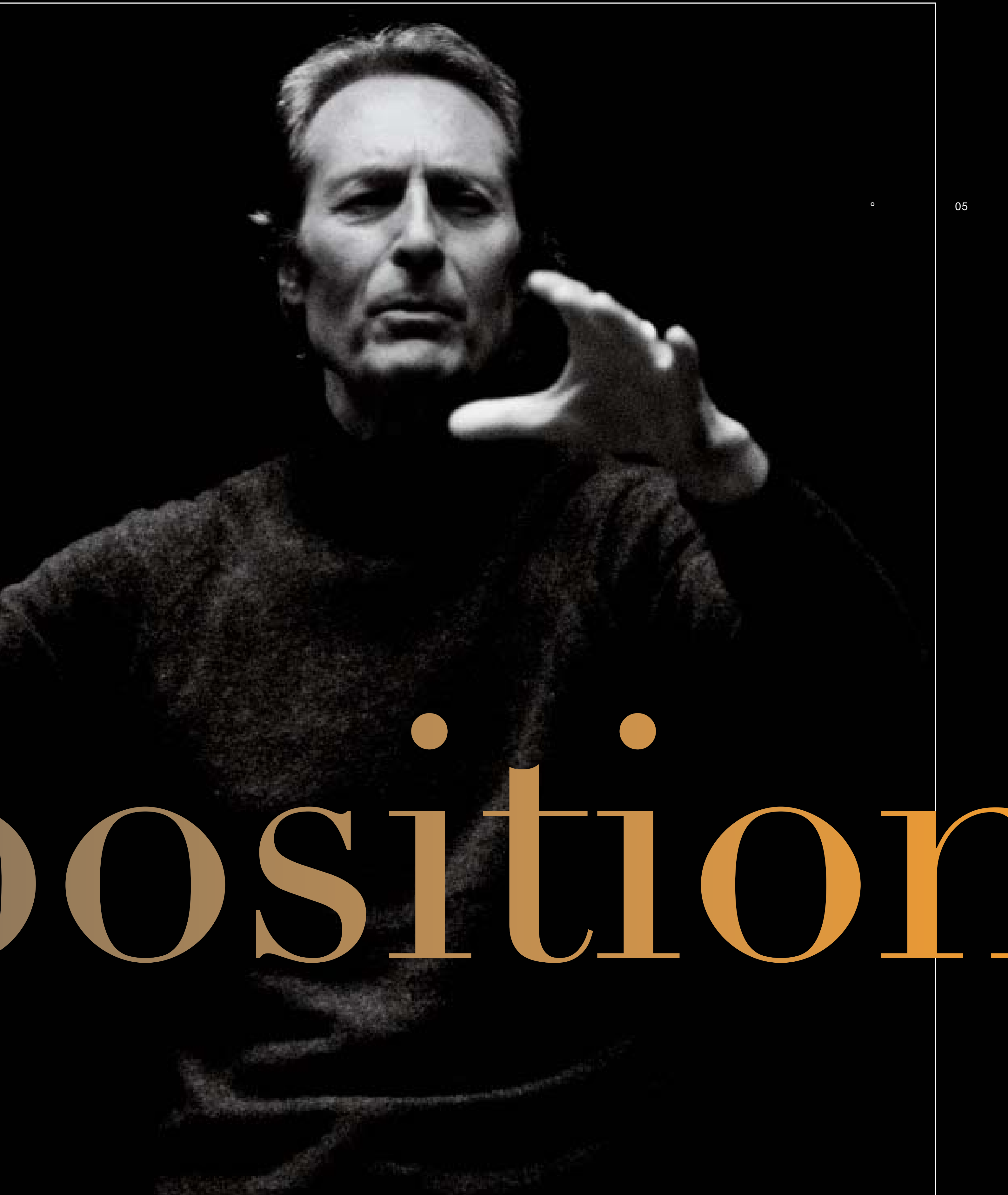
Following initial negotiations on an OEM agreement, the British company Sophos has decided to circulate a takeover bid to our shareholders due to our leading position in the market for data security solutions. Following a careful evaluation of the offer documents, the Management Board and Supervisory Board of Utimaco believe that our customers and employees and our business activities as a whole would benefit from the proposed acquisition by Sophos and that the consideration offered to our shareholders is appropriate. We do not expect the proposed acquisition by Sophos to result in a fundamental change to our successful product strategy, as the two companies have complementary product ranges. Sophos is planning to make Utimaco the focal point of a new division specializing in the field of information protection. Irrespective of the acceptance of the takeover bid by our shareholders, Utimaco and Sophos have entered into a reseller agreement for SafeGuard Enterprise and an agreement on the mutual recommendation of each other's products.

We would like to take this opportunity to thank our staff for their commitment and our customers, shareholders and investors for the confidence they have shown in us.

Martin Wülfert
Chief Executive Officer

It is ideas
that turn tones
into music.

Comp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Managing the Information Security Lifecycle

Data security – previously a niche market dominated by smaller European providers – is currently evolving into one of the most dynamic growth markets within the IT industry.

1) Worldwide Information Protection and Control (IPC) 2007-2011 Forecast and Analysis: Securing the World´s New Currency, IDC 2007

2) Forecast: Security Software, Worldwide, 2007-2012, Gartner Dataquest Market Statistics 2008

According to a survey by the market research company IDC[1], the market for information protection and control (IPC) is forecast to increase from US$ 750 million in 2006 to more than US$ 3 billion in 2011 – an average annual growth rate of more than 30%. By contrast, Gartner's[2] market analysts expect the security software market as a whole to grow by an average of just under 7% p.a. over the next five years. The IPC category covers a wide range of technologies relating to the classification, protection and monitoring of sensitive data at rest, in motion and in use. These technologies are still primarily available as end-point solutions; however, analysts expect to see more comprehensive IPC solutions incorporating the core functions of encryption and data leakage prevention (DLP) in future. In contrast to encryption, DLP in the narrower sense is a relatively new technology that allows sensitive data to be detected using content analysis and its use controlled throughout its entire lifecycle in accordance with defined security rules. Whereas encryption prevents unauthorized access to sensitive data, DLP governs the way in which such data is accessed by authorized users.

Tighter legislation and growing threats

The strong growth in the IPC market is being driven by restrictive legislation in the USA and Japan, under which companies are required to notify their customers of lost data and pay compensation in certain cases. Similar legislation is also expected to be implemented in Europe in order to tighten the "toothless" data protection laws currently in place. Organized data theft and trading in stolen information is well established as a lucrative business. One of the largest known cases of the organized theft and sale of customer information is currently being heard by the U.S. Supreme Court.
In the fourth quarter of 2007 alone, the company in question – a leading U.S. retailer – recognized extraordinary expenses of US$ 5 million arising directly from this case. This does not include the expected cost of numerous future actions and the potential loss of customers.

Cases such as this are the reason why IDC no longer refers merely to the loss of data, instead describing information as a new "global currency" that requires protection against theft and loss in the same way as any other valuable asset. However, data is exposed to growing threats that are not only external in nature.

3) 2008 Data Breach Investigation Report, Verizon Business RISK Team 2008

4) Study Results from Data Leakage Business Survey, IDG Research Service 2008

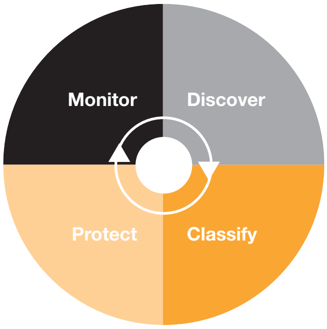
According to a study by Verizon[3], one of the world's largest network operators, only 18% of data losses investigated are attributable to insiders, but the average number of customer records lost as a result is ten times higher than in cases of external data loss. Business partners were involved in 39% of the cases investigated. According to a survey by IDC[1], employee negligence, data theft and sabotage by insiders were cited as three of the top ten threats to companies' information security. Based on a survey of U.S. companies, IDG[4] comes to the conclusion that as many as 60% of all data losses are caused by employees.

Strong potential for Utimaco

Utimaco is ideally positioned to benefit from the potential presented by the growth market of IPC solutions. With the development of SafeGuard Enterprise, we have integrated our broad range of end-point solutions for hard drive encryption, file and folder encryption, removable media encryption and port control within a security suite offering a high-performance centralized management console, as well as implementing initial DLP functions. SafeGuard Enterprise's modern open architecture also allows the encryption solutions of other providers, such as Microsoft, Seagate and Intel, to be integrated and administered in large organizations using intelligent key management. SafeGuard Enterprise is a highly flexible security platform that can be expanded to meet future requirements, thereby forming an ideal basis for further developments and allowing our customers to comprehensively protect and control their information.

From IT perimeter protection to data-oriented security

We see the new content-oriented DLP technology as an excellent addition to our security technology and have already gained initial experience in this area using a licensed solution. Our aim is to integrate these DLP functions into SafeGuard Enterprise in order to offer our customers a security suite that is no longer focused on IT perimeter protection, but that follows a data-oriented logic – instead of looking at how and where to encrypt data, this perspective seeks to address the questions of where sensitive information can be found, how sensitive this information is during its lifecycle, which rules and mechanisms should be applied in protecting it, and how this protection can be documented. This means that encryption forms part of a holistic approach to information security. Accordingly, the next phase of expansion for SafeGuard Enterprise within Utimaco's product strategy will be conducted in accordance with the motto: "Managing the Information Security Lifecycle".



Managing the Information Security Lifecycle

- Where is my critical information?
- How sensitive is my information?
- How can I protect my sensitive information?
- How can I track my sensitive information?

Harmony
is a question of
perfect tuning.

Instrum


mentation

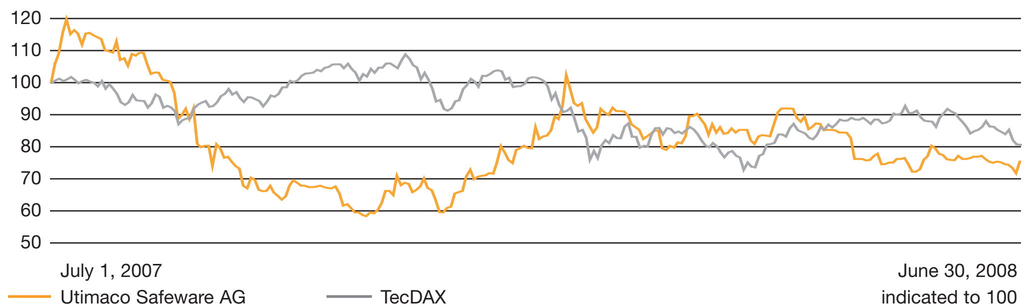
Utimaco's Shares: Price Performance Impacted by Capital Market Uncertainty

Utimaco's shares opened the 2007/2008 financial year at a price of € 11.89 in what was still a positive capital market environment. As the first signs of the U.S. mortgage crisis began to emerge in July 2007, however, the global stock markets started to fall.

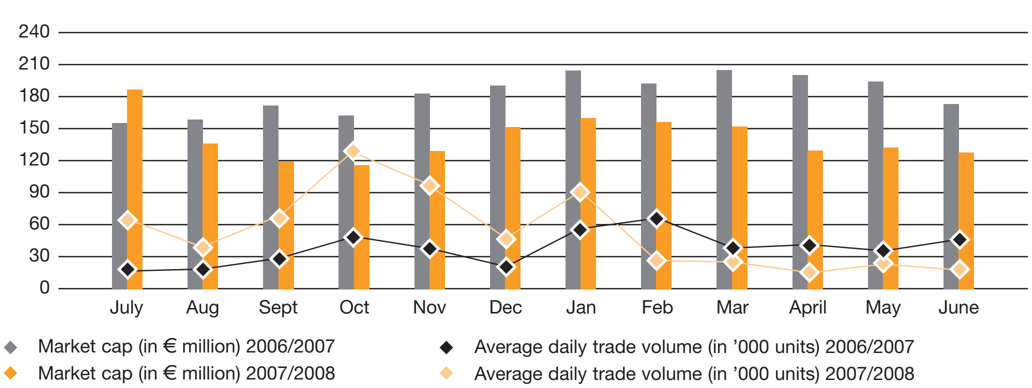
In August, Utimaco published its preliminary results for the 2006/2007 financial year. Although the Company met its forecasts, recording revenue growth of around 19%, some investors were disappointed by the earnings situation in the fourth quarter, when the impact of the previous software capitalization was recognized in full for the first time. Utimaco had repeatedly pointed out the foreseeable accounting effect of the capitalization of development costs for the new SafeGuard Enterprise product generation in discussions with investors and the relevant corporate publications. Despite this, the Company's share price fell substantially on the following trading days and was unable to benefit from the subsequent capital market recovery.

Following positive reports of major orders and the planned completion of additional SafeGuard Enterprise modules, Utimaco's share price picked up towards the end of the year, rising significantly

Developments in share values



Market capitalization and liquidity in comparison to the previous year



on the back of the extremely strong half-yearly results in January 2008 in contrast to the overall trend. Despite fears of an imminent recession and portfolio reclassifications, with investors tending to move away from small and medium-sized companies, Utimaco's shares performed strongly over the following months.

In May 2008, Utimaco's management presented the future challenges for its product strategy in a dynamically changing environment to the capital markets. According to the latest studies by leading industry analysts, the future market climate will be characterized by technological convergence and heightened competition, but also highly attractive growth potential. The Company's assertion that it intended to continue to invest in growth in order to expand its excellent positioning and its product leadership was not rewarded by the capital markets.

As a result of this development and the growing uncertainty surrounding the economy as a whole, Utimaco's share price declined further towards the end of the period under review, meaning that it slightly underperformed the TecDAX over the financial year as a whole.

Communications with the global capital markets continued at a high level in the period under review. The companies who observed Utimaco's business performance in the 2007/2008 financial year and published regular studies and commentary pieces again included Warburg/SES, Cheuvreux, Deutsche Bank, equinet Institutional and Metzler.

At the reporting date, FMR Corporation, Ration Asset Management and Pictet Asset Management each held more than 3% of Utimaco's share capital, while Cominvest and Invesco PLC each held more than 5%. In January 2008, Investcorp Technology Partners acquired around 24% of Utimaco's share capital. It remained the largest individual shareholder at the reporting date with an interest of just under 25%.

Key figures for the Utimaco share

	2007/2008	2006/2007
Maximum value of the Utimaco share (€) in Xetra	14.25	14.84
Lowest value of the Utimaco share (€) in Xetra	6.85	9.46
Year-end share value (€) in Xetra	8.90	11.70
Average traded shares/day	54,065	38,053
No. of shares undiluted	14,745,449	14,745,449
No. of shares diluted	15,632,449	15,225,449
Weighted no. of shares undiluted	14,745,449	14,745,449
Weighted no. of shares diluted	15,448,800	15,225,449
Earnings per share in acc. with IAS undiluted (€)	0.33	0.43
Earnings per share in acc. with IAS diluted (€)	0.32	0.41
Total return on shares in Xetra	-23.9%	6.48%

Talent and expertise for complete consonance.

Arran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Our Employees – Driving our Value Creation

Utimaco is one of the few European security software companies to enjoy a truly global reputation. Our key growth regions are Europe excluding Germany, the USA and, in future, Asia/Pacific. With nine subsidiaries in Europe, the USA and Asia, we already generate more than half of our revenue abroad.

With a view to pressing ahead with the internationalization of our business activities, in the past financial year we focused on expanding the intercultural expertise of our employees, more than 40% of whom work outside Germany. Employees whose area of responsibility has a particularly strong international focus are offered special workshops aimed at shedding light on cultural differences in areas such as communications and working practices. An exchange program has been established in order to promote cross-site personal contact between our employees in the areas of marketing, finance, and research and development. An internal tender process offers developers the opportunity to participate in the establishment of our new U.S. development center on-site for a period of between one and two years. In addition, the range of English courses has been further increased, with participation incorporated into individual target agreements. More than 30% of our employees have taken advantage of these opportunities.

Employees by region on June 30, 2008

- Germany: 183 (58%)
- Europe: 76 (24%)
- USA: 54 (17%)
- RoW: 5 (2%)

As part of a project on corporate culture covering all of Utimaco's locations, we defined the values on which we intend to focus in future with the aim of further increasing our importance as a performance- and market-oriented company operating in an international environment. These core values are as follows:

Teamwork
We actively share information and experience to jointly work towards solutions on a global basis.

Encouragement
We value others as a person with their strengths and talents and encourage them to grow further.

Innovation
We relentlessly look for new, better and different ways to excel in the implementation of our vision.

Enthusiasm
We are excited about our work and embrace the unknown to create and shape our future.

Customer / Market Satisfaction
We are driven by market needs and exceeding our customers' expectations.

Employees by function on June 30, 2008

- Sales & Marketing: 156 (49%)
- Research & Development: 106 (33%)
- Customer Service: 29 (9%)
- General Administration: 27 (9%)

Strategic workforce expansion

In the past financial year, the number of people employed by the Company increased by a total of 12% to 318. The average number of employees was 301, compared with 276 in the previous year. The greatest increase was in the USA, where the workforce expanded from 37 in the previous year to 54. In terms of functions, the increase in employee numbers was concentrated on sales and marketing (+15%) and customer service (+45%). During the period under review, a total of four trainees were employed at the Company's subsidiaries in Oberursel and Linz (Austria) in the areas of internal IT and hotline. Around 20% of our internal IT staff and 17% of hotline staff are former trainees. Since 2007, we have offered our technical specialists the opportunity of systematically developing their professional expertise across locations and areas of responsibility via the ”Specialist Careers” program. A total of 20 skills profiles have been developed. These are broken down into six functional areas and four levels of qualification. This program allows young, highly-motivated technicians in particular to follow an attractive, accelerated career path with Utimaco.

Good separately – perfect together.

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Group Management Report for the 2007/2008 Financial Year

Macroeconomic conditions and business development

In the past financial year, Utimaco again benefited from the favorable economic climate in Europe, whereas the downturn in the USA continued. This was due to the sustained weakness of the real estate market, a trend that started in the previous year, combined with the crisis on the global financial markets, high energy prices and uncertainty as to the impact of the real estate crisis on the economy as a whole.

Despite the economic slowdown in the USA, global demand for data security products and solutions remained at a high level. Data security – previously a niche market dominated by smaller European providers – is currently evolving into one of the most dynamic growth markets within the IT industry. According to a survey by the market research company IDC, the market for information protection and control (IPC) is forecast to increase from US$ 750 million in 2006 to more than US$ 3 billion in 2011 – an average annual growth rate of more than 30%. By contrast, Gartner's market analysts expect the security software market as a whole to grow by an average of just under 7% p.a. over the next five years. The IPC category covers a wide range of technologies relating to the classification, protection and monitoring of sensitive data at rest, in motion and in use.

The strong growth in the IPC market is also being driven by increasingly restrictive legislation in the USA and Japan, under which companies are required to notify their customers of lost data and pay compensation in certain cases.

In light of these positive general conditions, the past financial year was dominated by the transition to the new SafeGuard Enterprise product generation, the largest development project in the Company's history. This product transition succeeded with accelerated drive. The number of workstations protected by SafeGuard Enterprise more than tripled between the first and second half of the year. All in all, SafeGuard Enterprise generated revenue of € 8,515 thousand in the past financial year. At the reporting date, Utimaco customers used the new security solution to safeguard their data at more than 400,000 workstations. The customers who have chosen to employ SafeGuard Enterprise throughout their organizations include a leading global provider of IT consulting and outsourcing services, a Canadian government authority, a European federal state authority, and a major U.S. university. As well as the encouraging development of SafeGuard Enterprise, we are satisfied with the performance of the SafeGuard product family as a whole, with growth amounting to 16.6% in the past financial year.

In addition to the successful transition to the new SafeGuard Enterprise product generation, sales of solutions for the lawful monitoring of telecommunications services (LIMS) increased significantly, allowing Utimaco to press ahead with its positive business development and generate substantial revenue growth of 20% in the 2007/2008 financial year.

Utimaco increased its revenue across all regions, albeit with differing growth rates. In Germany, revenue increased by 11.9% compared with the high level recorded in the previous year to total € 24,401 thousand (previous year: € 21,816 thousand).

In Europe excluding Germany, the Company again improved significantly on its prior-year growth rate of 28.0%, increasing its revenue by an impressive 39.6% to € 18,766 thousand (previous year: € 13,441 thousand).

Although the Americas region failed to meet expectations, revenue increased by 7.0% year-on-year to € 11,845 thousand, despite the depreciation of the U.S. dollar during the period under review (previous year: € 11,066 thousand).

In the past financial year, revenue in the Asia/Pacific/Africa region increased by 38.4% to € 4,230 thousand (previous year: € 3,057 thousand).

This meant that Utimaco's total revenue for the past financial year amounted to € 59,243 thousand (previous year: € 49,380 thousand), representing growth of 20.0%.

The release of SafeGuard Enterprise at the end of the third quarter of the previous year meant that there was no positive impact on earnings from the amortization of software in the year under review, compared with the figure of € 2,914 thousand recorded in the previous year, while amortization expense increased from € 509 thousand to € 1,541 thousand as a result of the amortization of capitalized development costs. Despite this additional burden, which totaled € 3,945 thousand, the Company's earnings situation remained unchanged year-on-year thanks to the comparatively moderate increase in operating expenses. The profit from ordinary operations amounted to € 8,268 thousand, down only slightly on the prior-year figure of € 8,583 thousand. This resulted in an operating profit margin of 14.0% (previous year: 17.4%).

Based on an essentially unchanged financial result of € 1,128 thousand (previous year: € 1,091 thousand), the Company recorded a pre-tax profit of € 9,396 thousand (previous year: € 9,674 thousand), corresponding to a return on sales of 15.9% (previous year: 19.6%).

Due to a non-cash increase in income taxes from € 3,396 thousand to € 4,517 thousand, which was primarily attributable to changes of deferred tax asset and tax rates, Utimaco generated a consolidated net profit of € 4,879 thousand in the 2007/2008 financial year (previous year: € 6,278 thousand).

Cash and cash equivalents (which included available-for-sale securities in the previous year) increased by € 801 thousand to € 33,925 thousand in the 2007/2008 financial year. The significant financial resources available to Utimaco at the balance sheet date provide a solid basis for the Company's continued successful growth in the future.

Based on the Company's strong earnings situation and positive cash flow, the Management Board and the Supervisory Board intend to propose the distribution of a dividend of € 0.15 per share, as in the previous year.

Personal Data Protection: revenue and earnings development

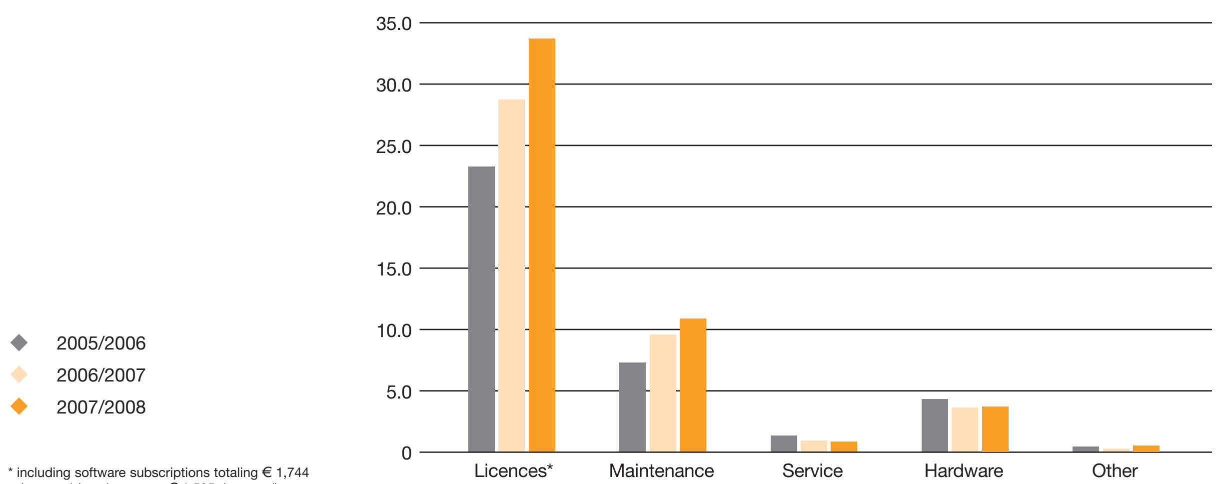
The Data Protection division develops and markets professional solutions for protecting the confidentiality and integrity of data at rest, data in motion and data in use. The range of software and hardware solutions offered by the division is known as the SafeGuard product family. Products are sold both directly and indirectly via sales and OEM partners.

In the year under review, the revenue generated by the Data Protection division increased by € 6,659 thousand to € 49,843 thousand (previous year: € 43,184 thousand). Revenue from licenses increased by 17.5% to € 33,941 thousand (previous year: € 28,875 thousand), while revenue from maintenance and support services grew 13.7% to € 10,896 thousand (previous year: € 9,582 thousand). The SafeGuard Enterprise product suite already contributed an impressive 17.1% to divisional revenue (previous year: 1.2%).

Revenue from hardware amounted to € 3,828 thousand (previous year: € 3,621 thousand), while service and other revenue remained essentially unchanged at € 1,178 thousand (previous year: € 1,106 thousand).

Data Protection

Revenue by product group (in € million)

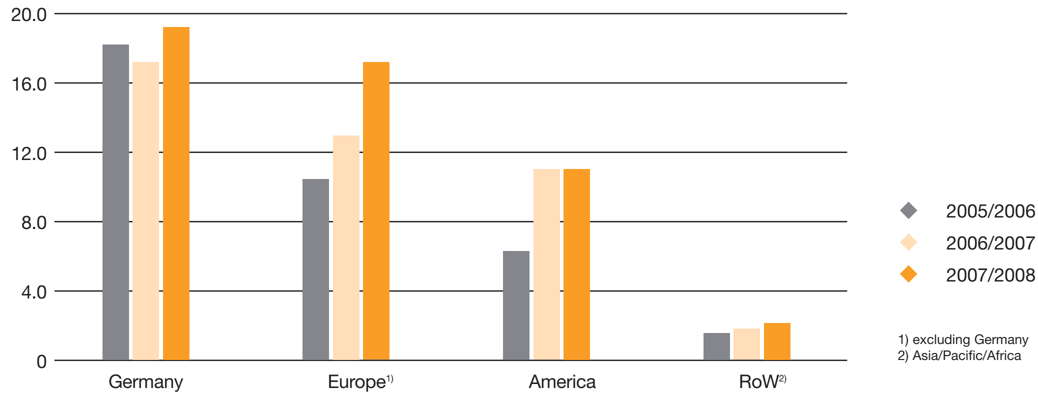


* including software subscriptions totaling € 1,744 thousand (previous year: € 1,595 thousand)

The Data Protection division recorded its most significant growth in Europe, where revenue rose by 32.6% to € 17,288 thousand (previous year: € 13,035 thousand). In the German market, revenue remained high, improving by 11.8% to € 19,344 thousand (previous year: € 17,295 thousand). Although the division increased its revenue in the U.S. dollar region in local currency, exchange rate effects meant that revenue in the Americas region remained unchanged year-on-year at € 11,084 thousand (previous year: € 11,066 thousand).

Data Protection

Revenue by region (in € million)



Revenue of € 2,127 thousand was generated in the Asia/Pacific/Africa region, up 18.9% on the previous year (€ 1,789 thousand).

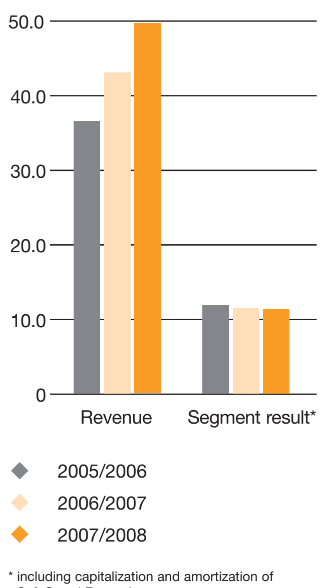
The proportion of revenues generated outside Germany increased slightly, from 60.0% in the previous year to 61.2%.

Despite revenue growth of € 6,659 thousand, the segment result remained essentially unchanged due to the moderate increase in operating expenses and the additional burden of € 1,032 thousand by the amortization of capitalized development costs for SafeGuard Enterprise, which amounted to € 1,541 thousand (previous year: € 509 thousand). In addition, the segment result in the previous year was positively impacted by the capitalization of development costs for SafeGuard Enterprise in the amount of € 2,914 thousand, whereas this effect was not repeated in the year under review.

As a result of these factors, the return on sales generated by the Data Protection division before the allocation of central costs declined slightly to 23.1% (previous year: 26.7%).

Data Protection

Revenue and segment result*
(in € million)



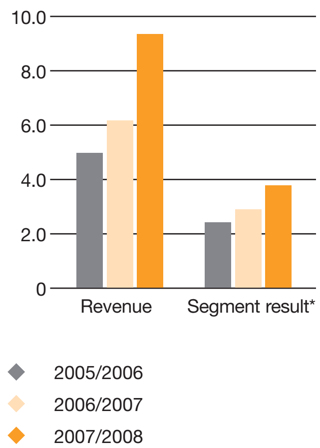
Lawful Interception & Monitoring Solutions: revenue and earnings development

The Lawful Interception & Monitoring Solutions (LIMS) division develops solutions for network operators and telecommunications providers for the lawful monitoring of a wide range of telecommunications services. Products are sold both directly and via OEM partners.

In the past financial year, the Lawful Interception & Monitoring Solutions division generated revenue of € 9,400 thousand (previous year: € 6,196 thousand), thereby recording impressive growth of 51.7%.

LIMS primarily sells its solutions to end users and technology partners based in Germany. Although LIMS solution components are frequently employed at end

Lawful Interception & Monitoring Solutions
Revenue and segment result
(in € million)

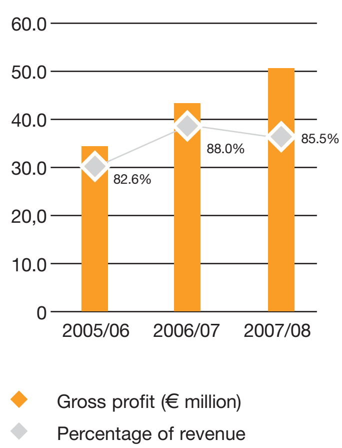


customers around the world due to their use in major infrastructural projects by these technology partners, the majority of the division's sales are invoiced to customers in Germany. Accordingly, the Company's domestic market accounted for 53.8% of segment revenue in the period under review (previous year: 73.0%). The expansion of a sales partnership established in the previous year meant that the Asia/Pacific/Africa region increased its revenue by an impressive 65.7%, from € 1,269 thousand to € 2,103 thousand, thereby meeting expectations in full. The division also recorded substantial growth in Europe excluding Germany, where revenue increased by € 1,072 thousand to € 1,478 thousand (previous year: € 406 thousand).

With a segment contribution of € 3,776 thousand (previous year: € 2,896 thousand), the division generated a return on sales of 40.2% (previous year: 46.7%). This year-on-year decline was due to the lower gross margin of 77.5% (previous year: 85.2%) attributable to an extraordinary item of € 555 thousand within the cost of materials accompanied by a 56.2% increase in operating expenses.

Results of operations

Gross profit

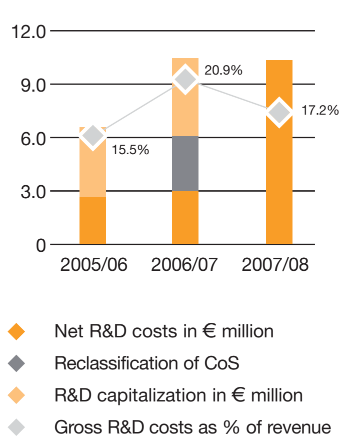


In the year under review, the Company generated a gross profit of € 50,655 thousand (previous year: € 43,478 thousand), corresponding to a gross margin of 85.5% (previous year: 88.0%). The decline in the gross margin is primarily attributable to an extraordinary item (€ 555 thousand) within the cost of materials, the tangible increase in commissions and the sharp rise in costs due to the expansion of the Company's customer support activities.

In addition, the own work capitalized in previous years for the SafeGuard Enterprise product suite was amortized for a full year for the first time, resulting in an amortization expense of € 1,541 thousand compared with € 509 thousand in the previous year.

Sales and marketing costs were the largest component of operating expenses, increasing by 15.5% year-on-year to € 24,830 thousand (previous year: € 21,498 thousand). Sales and marketing costs represented 41.9% of total revenue (previous year: 43.5%). Within this item, sales costs rose by 16.6% as against the previous year, while expenditure relating to the Company's marketing activities and product marketing campaigns increased by 12.6%.

R&D costs



Research and development costs totaled € 10,187 thousand in the year under review (previous year: € 7,389 thousand), representing 17.2% of total revenue (previous year: 15.0%). In the previous year, new development work relating to SafeGuard Enterprise was capitalized in accordance with IAS 38, with a corresponding positive effect on earnings in the amount of € 2,914 thousand; this effect was not repeated in the year under review. Accordingly, gross research and development costs of € 10,187 thousand (previous year: € 10,303 thousand) were slightly reduced compared to the previous year.

General administrative costs increased by 21.9% year-on-year to € 6,880 thousand (previous year: € 5,642 thousand), thereby corresponding to 11.6% of revenue (previous year: 11.4%).

It was not possible to convert the positive revenue development in the past financial year into a higher profit margin. This was due to a significant increase in the cost of materials, higher operating costs and the absence of software capitalization in the year under review, as well as the full-year amortization of capitalized development costs for SafeGuard Enterprise.

Although EBITDA (earnings before interest, taxes, depreciation and amortization) increased slightly in the 2007/2008 financial year, rising 3.7% to € 10,938 thousand (previous year: € 10,544 thousand), the EBITDA margin slightly declined from 21.4% to 18.5%. However, adjusting the prior-period EBITDA figures for the positive effects of software capitalization (2005/2006 financial year: € 3,885 thousand; 2006/2007 financial year: € 2,914 thousand) shows that the Company has generated a clear and continuous increase in EBITDA, both in absolute terms and as a proportion of revenue.

In the past financial year, EBIT (earnings before interest and taxes) of € 8,247 thousand was slightly below previous year's level (previous year: € 8,524 thousand), giving an EBIT margin of 13.9% (previous year: 17.3%). Adjusted for the effects of software capitalization, EBIT has also improved steadily over the last three years.

The financial result increased slightly, from € 1,091 thousand in the previous year to € 1,128 thousand in the year under review, affected by the investment of available cash.

The Company recorded a pre-tax profit of € 9,396 thousand (previous year: € 9,674 thousand), corresponding to a return on sales of 15.9% (previous year: 19.6%).

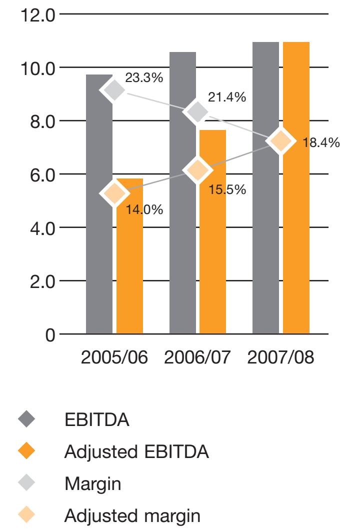
The applicable tax rate increased significantly, from 35.1% in the previous year to 48.1% in the year under review. This was primarily attributable to the change of deferred tax assets on loss carried forward especially for the Company's U.S. subsidiary and the change of the tax rate in Germany, which was reduced to 28.4% (previous year: 37.6%) in the reporting period due to the tax reform in 2008.

Based on the developments described above, Utimaco generated a consolidated net profit of € 4,879 thousand for the 2007/2008 financial year (previous year: € 6,278 thousand).

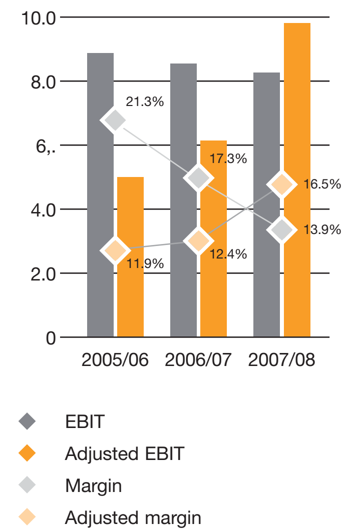
Undiluted earnings per share for the past financial year amounted to € 0.33 (previous year: € 0.43).

The Management Board and the Supervisory Board of the parent company have resolved to appropriate € 6,000 thousand (previous year: € 4,595 thousand) of the net profit of Utimaco Safeware AG for the 2007/2008 financial year in the amount of € 12,000 thousand (previous year: € 6,807 thousand) to other revenue reserves. The distribution of a dividend of € 0.15 per share, representing a total dividend distribution of € 2,212 thousand (previous year: € 2,212 thousand), will be proposed to the Annual General Meeting for the 2007/2008 financial year.

EBITDA
(in € million)



EBIT
(in € million)



Investments

In the year under review, investments in intangible assets and property, plant and equipment totaled € 1,768 thousand (previous year: € 6,503 thousand). Replacement investments amounted to € 971 thousand (previous year: € 1,179 thousand), while expansion investments totaled € 797 thousand (previous year: € 5,324 thousand). In contrast to previous years, no expenses for the further development of the SafeGuard Enterprise product suite were capitalized in the year under review (previous year: € 2,914 thousand), as new development was finalized with the release of the software in the previous year. The product is now in the phase of ongoing improvement and enhancement and the underlying costs are no longer to be capitalized in accordance with IAS 38.

The acquisition of the shares of Utimaco Safeware France S.A. in 2006 resulted, under the terms of an earn-out agreement, in the recognition of additional goodwill in the amount of € 447 thousand in the 2007/2008 financial year (previous year: € 1,075 thousand).

Net assets and financial position

Significant financial resources were available to Utimaco at the reporting date June 30, 2008. The balance sheet structure continued to improve as against the previous year. In the period under review, total assets increased by € 6,176 thousand to € 67,424 thousand.

The € 8,208 thousand increase in current assets is primarily attributable trade receivables, which rose by € 5,080 thousand as a result of the higher volume of business.

In the period under review, noncurrent assets decreased by € 2,029 thousand to € 11,521 thousand. Intangible assets fell by € 1,219 thousand due to the higher level of amortization compared with additions such as the goodwill from the acquisition of the shares of Utimaco Safeware France S.A., which amounted to € 447 thousand.

Deferred tax assets also declined by € 1,082 thousand to € 0 thousand, meaning that no deferred tax assets were recognized at the balance sheet date.

On the liability side, the increase in total assets was primarily attributable to the € 3,670 thousand rise in shareholders' equity. Current liabilities were reduced by € 174 thousand to € 18,213 thousand (previous year: € 18,388 thousand). This was largely due to the higher level of trade payables, which rose by € 1,357 thousand, as well as the € 1,159 thousand increase in deferred income for support and maintenance agreements. By contrast, provisions declined by a total of € 1,827 thousand to € 2,590 thousand as a result of the settlement of the 3-year bonus program (€ 2,171 thousand).

At the balance sheet date, shareholders' equity amounted to € 44,202 thousand (previous year: € 40,532 thousand), while subscribed capital remained unchanged year-on-year at € 14,745 thousand. The equity ratio declined slightly from 66.2% to 65.6%.

Utimaco made investments totaling € 1,768 thousand in the year under review. This primarily related to goodwill of € 447 thousand from the acquisition of Utimaco Safeware France S.A. under the terms of an earn-out clause and the purchase of software, hardware, office equipment and other items of property, plant and equipment, which totaled € 1,321 thousand. Current maintenance and expansion investments and the dividend payment for the 2006/2007 financial year in the amount of € 2,212 thousand were financed in full by the Company's net cash from operating activities, which amounted to € 3,574 thousand. After adjustment for cash inflows from the sale of securities, the Company recorded a free cash flow of € 821 thousand in the 2007/2008 financial year.

Control system and financial management

Utimaco is organized in business units in order to allow it to address its key markets effectively. The Company's key performance indicators are its revenue and return on sales. A condensed presentation based on the Data Protection and Lawful Interception & Monitoring Solutions (LIMS) segments is used for reporting purposes.

Available cash is invested with a low value risk with the aim of ensuring that they can be realized at short notice. Due to the high level of cash held by the Company, the credit facilities available to it at present are negligible. Cash is used to finance working capital and are available for acquisitions as necessary.

Research and development

The market for professional IT security products is characterized by high technical requirements and some short innovation cycles as products become more technically complex. This means that Utimaco is required to constantly adapt and improve its product range to reflect technological developments and rising security requirements. In addition to the ongoing adjustment of its existing product range to reflect technological developments and heightened security requirements, the Company's research and development activities in the year under review focused on the completion of the new SafeGuard Enterprise product generation with the aim of creating a comprehensive information protection and control solution.

Data Protection

- **SafeGuard Enterprise 5.20 released with two new modules**
  Version 5.20 of SafeGuard Enterprise saw the addition of two new modules. The new SafeGuard Data Exchange module encrypts data on removable media (USB sticks, CDs, DVDs, etc.). In conjunction with SafeGuard Enterprise's intelligent key management, the new module enables secure data exchange via removable media, both within companies and in external communications with partners not using SafeGuard security software.

  The new SafeGuard Partner Connect module allows Microsoft's Windows Vista BitLocker encryption function to be managed centrally using the SafeGuard Enterprise management console. Companies can use BitLocker and Utimaco's SafeGuard Device Encryption module for hard drive encryption under a uniform management system, thereby ensuring the complete, quick and easy protection of all clients in heterogeneous operating system environments in particular. Utimaco is the first and, so far, only provider of comprehensive data security solutions to allow the management of Microsoft's internal hard drive encryption system via its central security suite.

- **SafeGuard Enterprise 5.21 released with interface for third-party applications**
  Version 5.21 of SafeGuard Enterprise saw the addition of an interface for all management functions. This new management API allows Utimaco's integration partners and customers to integrate SafeGuard Enterprise into their IT systems even more flexibly than before. In particular, all directory services can now be imported into SafeGuard Enterprise Management, meaning that existing information on end users and devices can be applied for SafeGuard Enterprise's data security rules.

- **SafeGuard Enterprise 5.30 released with new module for port and configuration protection and standalone mode**
  Version 5.30 of SafeGuard Enterprise added a new module for port and configuration protection. This module monitors data traffic in real time via interfaces and protects companies from data loss and theft via external devices such as USB sticks. Customer-specific security policies can now be implemented for all wired and wireless devices and removable media. In standalone mode, SafeGuard Enterprise's hard drive and removable media encryption can be installed and operated without a server connection. Devices can be connected to a server at a later date without restriction. Standalone mode is particularly useful for smaller environments and the early phases of company-wide installations of SafeGuard Enterprise.

- **SafeGuard Enterprise awarded FIPS certification**
  The SafeGuard Cryptographic Engine has been awarded the FIPS (Federal Information Processing Standard) 140-2 Level 1 security certificate by the U.S. Department of Commerce's National Institute of Standards & Technology (NIST). The cryptographic library forms part of the security core of SafeGuard Enterprise, which is used by SafeGuard Enterprise modules for the application of cryptographic processes. By obtaining FIPS certification, SafeGuard Enterprise has demonstrated that it meets one of the world's most stringent security standards and fulfils the key conditions required by U.S. government bodies when selecting encryption products.

- **SafeGuard CryptoServer for centralized key management in SOA environments**
  Utimaco and the enterprise key management specialist StrongAuth Inc. have entered into a technology partnership with the aim of providing joint security solutions for centralized key management in shared service-oriented architectures (SOA). Under the terms of the partnership, the world's first cross-platform key management solution has been developed on the basis of Utimaco's SafeGuard CryptoServer and the StrongKey open source software developed by StrongAuth. The new solution uses the OASIS Enterprise Key Management Infrastructure (EKMI) standard. OASIS (Organization for the Advancement of Structured Information Standards) is a globally recognized organization for the development of SOA standards for e-business and web service applications. The joint solution allows key management to be organized as a centralized trusted service for the encryption of sensitive data in shared applications. This represents a milestone in the provision of security as a service in SOA environments.

- **SafeGuard CryptoServer supports Microsoft's new cryptography interface (CNG) and obtains FIPS 201 certification**
  The SafeGuard CryptoServer hardware security model now supports Microsoft's new cryptography interface CNG (Cryptography Next Generation), which supersedes Microsoft CryptoAPI in Windows Vista and Windows Server 2008. This means that the users of 64-bit Microsoft operating systems can employ SafeGuard CryptoServer for the secure storage of private keys and secure certification services using Microsoft CA (Certification Authority). SafeGuard CryptoServer has also obtained FIPS 201 certification. FIPS 201 is a U.S. security standard that meets the requirements of the Homeland Security Presidential Directive (HSPD-12). It applies to all government agencies that are responsible for issuing ID cards.

- **New version 5.5 of SafeGuard MailGateway offers expanded policy management**
  The new version 5.5 of SafeGuard MailGateway, a solution for the centralized e-mail security of organizations using encryption and digital signatures, offers expanded policy management for the implementation of complex security policies for incoming and outgoing e-mail. The central rules-based integration of e-mail encryption, decryption and re-encryption provides efficient support for associated e-mail processes, such as archiving, content monitoring and antivirus systems. The security solution integrates directory services such as Microsoft Active Directory into policy management in order to allow existing user and group infrastructures to be applied in formulating new rules.

Lawful Interception & Monitoring Solutions (LIMS)

- **Expansion of LIMS range for Next Generation Networks (NGN)**
  In the current financial year, the LIMS division has concentrated on the expansion of its technological partnership with its OEM partners, with a particular focus on the realization of lawful interception solutions for Next Generation Networks (NGN). With the OEM Release 6.0 for Motorola and the OEM Release 6.1 for Nokia Siemens Networks, LIMS versions for key OEM partners have now been released that contain lawful interception solutions for their various IP multimedia systems (IMS). IMS, the central platform for IP-based fixed-line and mobile multimedia applications, is connected via the components CSCF, SBC or MGW. The OEM Release 6.2 for the Company's Chinese partner, Huawei, saw the complete integration of Huawei network components (for NGN, GSM, UMTS and CDMA).

- **Expansion of LIMS system for Internet access**
  The new orders in the area of Internet access resulting from the introduction of TR TKÜ 5.0 (Technical Directive for the Implementation of Statutory Measures for Telecommunications Monitoring) in Germany led to an expansion in the range of Internet routers supported. The Lawful Interception Management System now supports a large number of Internet access servers from leading manufacturers such as Cisco, Juniper, Motorola, Redback and Huawei.

- **Linux port for Utimaco LIMS**
  As part of a project, a Linux port was developed for Utimaco's LIMS software. This means that future applications will be able to use not only the established

Sun Solaris operating system and Sun Sparc servers, but also the open-source Linux operating system and AMD/Intel servers. This will enable Utimaco to respond to varied customer demands even more flexibly than before, as well as allowing it to better address its global markets, including Asia in particular.

Employees by function on June 30, 2008

- Sales & Marketing: 156 (49%)
- Research & Development: 106 (33%)
- Customer Service: 29 (9%)
- General Administration: 27 (9%)

Employees

At the end of the 2007/2008 financial year, Utimaco employed a total of 318 people (previous year: 285). The average number of employees during the financial year was 301 (previous year: 276).

The Company had an average of 182 employees in Germany (previous year: 173) and 119 employees outside Germany (previous year: 103).

The majority of the Company's employees receive both fixed remuneration and a performance-related variable component based on the quantitative and qualitative targets agreed at the start of each financial year. The 3-year bonus program, which lapsed at the end of the previous year, and the stock option plan were relaunched in the past financial year with new conditions with the aim of improving the retention of selected senior managers and specialist staff while creating entrepreneurial incentives.

Remuneration report

The remuneration paid to the members of the Management Board comprises both fixed and variable components. The fixed remuneration consists of monthly salary payments, direct insurance in the maximum flat-rate amount for income tax purposes as defined in accordance with section 40b of the German Income Tax Act, and a company car for business and personal use. Personal accident, illness, legal expense, D&O and penal protection insurance policies are also concluded on behalf of the members of the Management Board.

Members of the Management Board also receive variable remuneration with short-term performance-related components in the form of an annual bonus based on the achievement of annual targets defined individually in advance.

As variable compensation with a long-term incentive effect, the members of the Management Board participate in a 3-year bonus program and the existing stock option plans. The 3-year bonus program was relaunched in the year under review and is based on the Utimaco Group's growth and earnings targets for the 2007/2008 to 2009/2010 financial years. The bonus program will be settled after the end of the 2009/2010 financial year depending on the achievement of the defined targets. Information on the Company's stock option plans can be found in the notes to the financial statements under (59) Share-based remuneration.

Annual and long-term targets may not be amended subsequent to their initial definition.

Other remuneration components

Members of the Management Board who leave the Company by mutual consent and without good cause, are not reappointed to the Management Board at the end of their term of office, or terminate their employment contract due to a material change to the distribution of responsibilities or the purpose of the Company shall receive severance or transitional payments amounting to one-sixth of their current target annual salary for each full year of service up to a maximum of two years of their target annual salary. This does not apply to members of the Management Board who choose to terminate their employment contract unless their position has been materially affected by a change to the distribution of responsibilities or the purpose of the Company. Members of the Management Board who leave the Company after reaching the statutory age limit shall be granted the severance payments detailed above in the form of a pension. The present value of the corresponding obligations has been calculated for the entire Management Board on the basis of the benefits earned to date, applying a discount rate of 5.4% with an amount of € 275 thousand (previous year: € 0 thousand).

In case of illness, members of the Management Board continue to receive their regular remuneration for a period of 24 months, irrespective of the length of their employment contract. This includes amounts paid under insurance policies concluded by the Company on behalf of the respective member of the Management Board. If a member of the Management Board dies while employed by the Company, his widow or children shall be entitled to the continued payment of his salary for a period of 24 months and the payment of the short-term and long-term remuneration components earned prior to his death.

One member of the Management Board has a direct pension commitment under the terms of an occupational pension plan. The amount of the corresponding retirement and early retirement benefits is based solely on the pension contributions concluded to this end with a life insurance company and financed by the deferred compensation of the respective member of the Management Board.

The total remuneration paid to the members of the Management Board in the year under review was € 1,314 thousand (previous year: € 1,123 thousand).

In addition, a provision of € 275 thousand (previous year: € 0 thousand) was recognized for potential severance obligations, and a contingent liability of € 1,001 thousand (previous year: € 0 thousand) was recognized for obligations arising from the Company's provisions on contract termination.

The total remuneration paid to the Management Board can be broken down on the basis of the individual components and members as follows:

Martin Wülfert

€ thousand	2007/2008	2006/2007
Remuneration from non-performance-related components	239	209
Remuneration from short-term performance-related components	145	122
Remuneration with a long-term incentive effect	306	300
Total remuneration	**691**	**631**

In the period under review, Martin Wülfert received a total of 46,000 options. This corresponds to a fair value of € 91 thousand. In addition, a provision in the amount of € 82 thousand (previous year: € 0 thousand) was recognized for potential severance obligations.

Christian Bohne

€ thousand	2007/2008	2006/2007
Remuneration from non-performance-related components	216	201
Remuneration from short-term performance-related components	89	61
Remuneration with a long-term incentive effect	226	230
Total remuneration	**531**	**492**

In the period under review, Christian Bohne received a total of 34,000 options. This corresponds to a fair value of € 67 thousand. In addition, a provision in the amount of € 173 thousand (previous year: € 0 thousand) was recognized for potential severance obligations.

Malte Pollmann

€ thousand	2007/2008 2 months	2006/2007
Remuneration from non-performance-related components	24	0
Remuneration from short-term performance-related components	7	0
Remuneration with a long-term incentive effect	20	0
Total remuneration	**51**	**0**

Malte Pollmann has been a member of the Management Board since May 1, 2008 and did not receive any options in the period under review. A provision of € 10 thousand (previous year: € 0 thousand) was recognized for potential severance obligations.

Olaf Siemens

€ thousand	2007/2008 2-months	2006/2007
Remuneration from non-performance-related components	26	0
Remuneration from short-term performance-related components	6	0
Remuneration with a long-term incentive effect	10	0
Total remuneration	**42**	**0**

Olaf Siemens has been a member of the Management Board since May 1, 2008 and did not receive any options in the period under review. A provision of € 9 thousand (previous year: € 0 thousand) was recognized for potential severance obligations.

At June 30, 2008, the actuarial value of the pension obligations to former members of the Management Board totaled € 501 thousand (previous year: € 467 thousand). Pensions in the amount of € 60 thousand were paid to former members of the Management Board in the year under review (previous year: € 43 thousand).

Disclosures in accordance with German takeover law

- The appointment and dismissal of members of the Management Board is governed by sections 84 and 85 of the German Stock Corporation Act. Amendments to the Articles of Association are governed by sections 133 and 179 ff. of the German Stock Corporation Act and Article 9 (4) of the Articles of Association. In accordance with section 119 (1) no. 5 of the German Stock Corporation Act, the Annual General Meeting is responsible for resolving amendments to the Articles of Association. In accordance with Article 8 (6) of the Articles of Association, the Supervisory Board is authorized to resolve and implement amendments to the Articles of Association that relate solely to their wording.

- In accordance with a resolution by the Annual General Meeting on November 27, 2007, the Management Board is authorized to acquire treasury shares up to a maximum of 10% of the current share capital via the stock exchange or a public offer addressed to all shareholders until May 15, 2009.

- If a shareholder or a group of shareholders obtains a majority of the shares of the Company (”change of control”), the options granted to the members of the Management Board may not be exercised until the end of a lock-up period of two years from their issue, irrespective of whether the defined performance targets have been achieved.

- The subscribed capital of the Company amounts to € 14,745,449 and is composed solely of no-par value shares carrying voting rights.

- On **January 31, 2008**, Umbrella Acquisitions GmbH (Frankfurt/Main, Germany) informed us in accordance with sections 21 and 22 of the German Securities Trading Act, on its own behalf and on behalf of and acting on the authority of the controlling companies

  1. SIPCO Limited, Grand Cayman, Cayman Islands;
  2. Ownership Holdings Limited, Grand Cayman, Cayman Islands;
  3. C.P. Holdings Limited, Grand Cayman, Cayman Islands;
  4. Investcorp Bank B.S.C., Manama, Bahrain;
  5. Investcorp Holdings Limited, Grand Cayman, Cayman Islands;
  6. Investcorp S.A., Luxembourg, Luxembourg;
  7. Investcorp Investment Holdings Limited, Grand Cayman, Cayman Islands;
  8. ITV Limited, Grand Cayman, Cayman Islands;
  9. ITPU Holdings Limited, Grand Cayman, Cayman Islands;

  that the voting rights in Utimaco Safeware AG attributable to Umbrella Acquisitions GmbH exceeded the threshold of 20% on January 31, 2008 and amounted to 23.75% on this date (corresponding to 3,502,887 voting rights) and that the voting rights in Utimaco Safeware AG attributable to the companies controlling Umbrella Acquisitions GmbH exceeded the threshold of 20% on January 31, 2008 and amounted to 23.75% on this date (corresponding to 3,502,887 voting rights), with the voting rights held by Umbrella Acquisitions GmbH and attributable to the companies controlling Umbrella Acquisitions in accordance with section 22 (1) sentence 1 no. 1 of the German Securities Trading Act.

- According to the public offer circulated by Sophos Holdings GmbH on August 20, 2008, ITPU Holdings Limited, Investcorp Technology Partners III (Cayman) LP, Umbrella Acquisitions GmbH, Sophos Plc and Sophos Holdings GmbH concluded an agreement for the acquisition of all shares in Umbrella Acquisitions GmbH by Sophos Plc. on July 27, 2008. The acquisition of the shares in Umbrella Acquisitions GmbH is subject to a series of conditions that, according to the understanding of the Management Board at the present time, have as yet neither been fully satisfied nor waived. However, as proved by the public offer circulated by Sophos Holdings GmbH on August 20, 2008, Sophos Plc, Umbrella Acquisitions GmbH, Investcorp Technology Partners III (Cayman) L.P. and ITPU Holdings Limited are already considered as persons acting with Sophos Holdings GmbH in accordance with section 2 (5) sentence 1 or sentence 3 WpÜG that can influence its conduct with regard to the acquisition of shares in the company or exercising the voting rights of shares in the company on the basis of an agreement or otherwise as defined by section 2 (5) sentence 1 WpÜG.

Risk report

In the 2007/2008 financial year, Utimaco made further efforts to expand the scope of its risk management. In particular, regular management meetings and groupwide reporting in accordance with uniform provisions allow the Company's management to identify asset risks, changes in the economic performance of the divisions and Group companies and other risks that could endanger the continued existence of the Company at an early stage.

Utimaco has identified the following key risks:

- Within the IT security market, internal organizational changes at Utimaco's target customers and new threat scenarios could lead to shifts in demand in the segments in which the Company operates or the emergence of new subsegments. If the Company fails to identify such market changes and shifts in good time or is unable to offer adequate solutions for the needs arising from such changes, these factors could have an individual or cumulative effect on the future demand for and acceptance of its service range.

- In addition to the risk arising from products supplied by Utimaco's competitors, there is also a fundamental risk that hardware, operating system and software suppliers could develop their own IT security functions and solutions and offer them as integrated elements of their products. For example, Microsoft's new Vista operating system, which was launched in early 2007, offers an integrated hard drive encryption function for the first time. Although Utimaco is of the opinion that this integrated function will not meet the needs of its target customers to a sufficient extent, it could still have a significant adverse effect on the Company's net assets and results of operations, particularly if Microsoft makes improvements to the function.

- Utimaco's business success depends to a large extent on the investment policies of its customers. Utimaco's target customers are large corporations and government bodies. Accordingly, a reluctance to invest due to an uncertain or poor economic outlook, restrictions on lending and/or the consolidation of public budgets could have an adverse effect on demand for the Company'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. The security and technical performance of IT security products remains a vital factor in their success on the market. If Utimaco is unable to keep up with the pace of technological development or if there are limitations on the functionality and performance of its products, this would have an adverse effect on its net assets and results of operations.

- In some cases, third-party technology is used in Utimaco's products. If the suppliers of this third-party technology were to cease further development, support and/or debugging, this would lead to increased expense for Utimaco, with a corresponding impact on its results of operations.

- The success of Utimaco's business activities depends to a large extent on the performance of its managers and key employees. If the Company fails to retain its existing employees and managers while gaining new employees in sufficient numbers, this could have an adverse effect on its future success.

- In future, Utimaco's products will be sold and implemented to a greater extent via IT sales companies and service providers. If the Company fails to gain and/or retain enough of these companies as partners, this could impair sales of its products.

- In the past, the IT security market has been characterized by a process of consolidation. The implementation of the Company's growth strategy and/or the retention of its current market share may require the acquisition of competitors and/or companies offering complementary products and technologies. Any such acquisitions could involve a large number of risks arising from the integration of the acquired products, technologies and operating units. As a result, acquisitions could have an adverse effect on Utimaco's results of operations.

- As a result of the consolidation process in the IT security market, significantly larger providers that were previously only active in neighboring IT security market segments have started to implement their own developments and acquire Utimaco's competitors with a view to becoming active in Utimaco's markets. This means that Utimaco now faces competitors with significantly larger sales networks and substantially greater financial resources for their development, sales and marketing activities. Accordingly, the Company is exposed to additional risks with respect to the maintenance and expansion of its market share.

- The intense competition in the IT security market has already led to a degree of price erosion, among other things. If this price erosion were to continue or accelerate, this could have an adverse effect on Utimaco's results of operations.

- Utimaco's business success is also dependent to a large extent on outsiders being prevented from utilizing the innovations it creates, the technologies it develops and the brands it uses, as well as on the Company itself not infringing the copyrights held by others.

- Utimaco is exposed to liability risk on a daily basis in the course of its operating activities. If the Company were to be held liable for product faults or other service disruptions, this would have an adverse effect on its net assets and results of operations.

- The Company has issued letters of comfort to its associates Utimaco Safeware Oy, Finland, and Utimaco Safeware Ltd., UK. If claims were to be asserted against the Company under these letters of comfort, this would have an adverse effect on its net assets and results of operations.

Report on post-balance sheet date events

On August 21, 2008, the British company Sophos circulated an offer to acquire all of the shares of Utimaco Safeware AG for a price of € 14.75 per share. Following a careful examination of the offer documents, the Management Board and Supervisory Board of Utimaco believe that the customers and employees of the Company and its business activities as a whole would benefit from the proposed acquisition by Sophos and that the consideration offered to our shareholders is appropriate. We do not expect the proposed acquisition by Sophos to result in a fundamental change to our successful product strategy. The two companies have complementary product ranges, and Sophos is planning to make Utimaco the focal point of a new division specializing in the field of information protection. Irrespective of the acceptance of the takeover bid by the Company's shareholders, Utimaco and Sophos have entered into a reseller agreement for SafeGuard Enterprise and an agreement on the mutual recommendation of each other's products.

There were no other significant events after the end of the financial year.

Report on expected developments

Market researchers are forecasting continued positive development in the IT security market over the coming years. For example, Gartner's analysts expect the global security software market to expand by an average of just under 7% p.a. over the next five years, while IDC is projecting average annual growth of around 30% until 2011 for the information protection and control (IPC) subsegment in which Utimaco is primarily active.

Utimaco expects the slowdown in the global economy, which has been triggered by the weak economic situation in the USA, to have an impact on the growth of the security software market as a whole. However, the growing importance of the IPC market and the expansion in the relevant legislation and provisions means that it is likely to be only indirectly affected by this development.

At the same time, the intense competitive situation means that further price erosion can be expected.

In this dynamic market environment, it is vital that we continue to invest in our future growth. We aim to finance these investments through our operating activities, and hence continue to grow profitably.

In the 2008/2009 financial year, we aim to further expand our technology and sales partnerships with a focus on gaining new integration partners who can offer SafeGuard Enterprise as part of comprehensive data security concepts and provide the associated services.

We expect additional growth to be generated in the U.S. and European markets, where we intend to further expand our market position with our new product generation.

In the area of research and development, our focus is on completing SafeGuard Enterprise with additional modules and adding new technologies for protecting against unintentional data losses. With this in mind, we are planning to open an additional development site in the USA at our subsidiary near Boston. This will also allow us to better meet the data security requirements of our rapidly growing U.S. customer base. Our aim is to expand our product leadership with SafeGuard Enterprise and reinforce our reputation as a leading expert in the field of information protection.

The offer to shareholders circulated by the British company Sophos in late August 2008 may result in delays in incoming orders in the immediate future, as well as the potential loss of customers, particularly government bodies in Germany. The project is also likely to lead to a temporary increase in costs. However, the Management Board expects these effects to be short-term in nature, and is forecasting continued growth for revenue and a moderate improvement for result for the financial year 2008/2009.

Oberursel, September 24, 2008

Martin Wülfert Chief Executive Officer	Christian Bohne Chief Financial Officer	Malte Pollmann Chief Product Officer	Olaf Siemens Chief Technology Officer

Consolidated Financial Statement

Content

Consolidated Balance Sheet in Accordance with IFRS on June 30, 2008

€ thousand	June 30, 2008	June 30, 2007	Appendix
ASSETS			
Current assets			
Cash	33,925	22,812	(31)
Securities	0	10,313	(32)
Trade, receivable, net	17,570	12,490	(33)
Inventories	2,184	1,155	(34)
Other current assets	2,224	929	(35)
Total current assets	**55,904**	**47,699**	
Non-current assets			
Non-current financial assets	36	36	(36)
Investment in associates	0	0	(37)
Property, plant and equipment	1,948	1,675	(38)
Intangible assets	9,537	10,756	(39)
Deferred taxes	0	1,082	(40)
Total non-current assets	**11,521**	**13,549**	
Total assets	**67,424**	**61,248**	
EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Trade payables	3,251	1,893	(41)
Prepayments received	227	211	
Other liabilities	5,139	4,177	(42)
Provisions for taxes	206	1,085	(43)
Provisions	1,628	4,416	(44)
Deferred income	7,763	6,604	(45)
Total current liabilities	**18,213**	**18,388**	
Non-current liabilities			
Liabilities due to banks	0	2	
Deferred taxes	2,258	493	(40)
Provisions	962	0	(44)
Pension provisions	966	1,010	(46)
Deferred income	822	824	(45)
Total non-current liabilities	**5,009**	**2,329**	
Equity			(47)
Share capital	14,745	14,745	
Capital reserves	6,271	5,533	
Other reserves	12,912	6,912	
Adjustment item for foreign currency conversion	284	20	
Retained earnings	9,989	13,322	
Total shareholder's equity	**44,202**	**40,532**	
Total equity and liabilities	**67,424**	**61,248**	

Consolidated Profit and Loss Statement in accordance with IFRS for the Fiscal Year 2007/2008

€ thousand	2007/2008	2006/2007	Appendix
Revenue	59,243	49,380	(49)
Cost of Sales	-8,588	-5,902	(50)
Gross profit	**50,655**	**43,478**	
Sales and marketing costs	-24,830	-21,498	(51)
Research and development costs	-10,187	-7,389	(52)
General administrative costs	-6,880	-5,642	(53)
Other operating income	694	403	(54)
Other operating expenses	-1,184	-768	(55)
Operating result	**8,268**	**8,583**	
Financial result	1,128	1,091	(56)
Result before taxes	**9,396**	**9,674**	
Income taxes	-4,517	-3,396	(57)
Net profit	**4,879**	**6,278**	
Earnings per share – undiluted in €	**0.33**	**0.43**	**(58)**
Earnings per share – diluted in €	**0.32**	**0.41**	**(58)**

Consolidated Cash-Flow Statement in Accordance with IFRS for the Fiscal Year 2007/2008

€ thousand	2007/2008	2006/2007
Cash-flow from operating activities		
Result before taxes and contributions by others to the result	**9,396**	**9,674**
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	2,670	1,961
• Amortization on financial assets	21	58
• Change in pension provisions	-44	-16
• Interest income/interest expenses	-1,149	-1,149
• Change in other not-cash items	1,003	496
Subtotal	11,897	11,023
Changes in assets and liabilities		
• Increase in inventories, receivables, other assets and active deferred income	-6,651	-2,687
• Reduction in liabilities, short-term provisions and passive deferred items	1,712	2,853
• Tax payments	-3,384	-1,898
Cash-flow from operating activities	**3,574**	**9,292**
Cash-flow from investment activities		
• Expenses for plant and equipment and intangible assets	-1,277	-4,201
• Expenses for investments in financial assets	-20	0
• Receipts/expenditure arising from changes to securities in the current assets	10,313	3,528
• Payments made for acquisition of company (minus cash resources)	-494	-1,081
• Interest receipts	1,240	1,216
Cash-flow from investment activities	**9,762**	**-539**
Cash-flow from financing activities		
• Dividend payment	-2,212	-2,212
• Changes in obligations to banks	-2	-83
• Interest payments	-9	-21
Cash-flow from financial activities	**-2,223**	**-2,315**
Increase in cash	11,114	6,439
Cash at the beginning of the fiscal year	22,812	16,373
Cash at the end of the fiscal year	**33,925**	**22,812**
Composition of cash		
Cash assets	6	6
Bank assets	33,919	22,805
	33,925	**22,812**

Consolidated Changes in Equity in Accordance with IFRS on June 30, 2008

	Issued individual share certificates Number	Subscribed capital € thousand	Capital reserves € thousand	Other reserves € thousand	Adjustment items for currency conversion € thousand	Retained earnings € thousand	Total equity capital € thousand
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						6,278	6,278
Other earnings reserves				4,595		-4,595	0
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**
Equity ratio of the issue of options			738				738
Dividend payment						-2,212	-2,212
Annual net profit						4,878	4,878
Other earnings reserves				6,000		-6,000	0
Adjustment items for foreign currency conversion					265		265
Date June 30, 2008	**14,745,449**	**14,745**	**6,271**	**12,912**	**285**	**9,989**	**44,202**

Notes to the IFRS Consolidated Financial Statements as of June 30, 2008

GENERAL INFORMATION

The consolidated financial statements were prepared for the fiscal year 2007/2008 in line with section 315a of the Handelsgesetzbuch (HGB – German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) and include the financial statements of the Company and its subsidiaries. All the standards of the International Accounting Standards Board (IASB), London and the valid interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) to be applied were complied with. The additional requirements of German commercial law set out in section 315a (1) HGB were also complied with.

The consolidated financial statements have been prepared in Euro. Unless stated otherwise all amounts have been rounded to thousands of Euro (€ thousand).

Utimaco Safeware AG is a stock corporation under German law and is based in Oberursel, Germany.

a) Purpose of the Company

Utimaco operates in the area of information technology in the production and sales of software and hardware with a focus on security solutions (safeware), including the maintenance of licenses, consulting and training.

b) Consolidated group

(1) Majority investments

In addition to Utimaco, the consolidated financial statements include three German companies (previous year: three) and eight foreign companies (previous year: eight) in which Utimaco directly or indirectly holds a majority of voting rights and which it manages uniformly.

The consolidated financial statements include the following direct and indirect subsidiaries of Utimaco (capital share of 100% in each):

- Utimaco Beteiligungsgesellschaft mbH, Oberursel
- uti-maco safeguard systems international GmbH, Oberursel
- Utimaco Safeware AB, Kista, Schweden
- Utimaco Safeware B.V., Oosterhout, The Netherlands
- Utimaco Safeware Inc., Foxboro, MA, USA
- Utimaco Safeware K.K., Yokohama, Japan
- Utimaco Safeware Ltd., Staines, Middlesex, UK
- Utimaco Safeware Oy, Vantaa, Finland
- Utimaco Verwaltungsgesellschaft mbH, Oberursel
- Utimaco Safeware (Schweiz) AG, Schlieren, Switzerland
- Utimaco Safeware France S.A., Paris, France

As in previous year, the two shelf companies Utimaco Beteiligungsgesellschaft mbH and Utimaco Verwaltungsgesellschaft mbH had no operating activities in the year under review.

(2) Minority interests

Utimaco Safeware Belgium NV, in insolvency, filed for insolvency on September 16, 2002 and since then has been in the process of being wound up. The company has not yet been deleted from the Belgian commercial register.

The equity and the net profit for the year of the associated companies are as follows:

Name and place of the company	Equity interest %	Equity € 000	Net profit € 000	Comment
Utimaco Safeware Asia Ltd., Hong Kong	49.90	-1,310	-92	(a)
Utimaco Safeware Belgium NV, in insolvency, Heverlee, Belgium	41.07	-917	-1,562	(b)
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum	14.91	-135	24	(c)

(a) Figures as of June 30, 2006, figures as of June 30, 2007 and June 30, 2008 not yet available
(b) Figures as of June 30, 2002, the company has been in the process of being wound up since September 16, 2002
(c) Figures as of December 31, 2007; resolution on capital increase: December 19, 2007; application for entry in the commercial register: January 2008

The investment in Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, is reported as an associated company as a member of the Management Board of Utimaco is also the Chairman of the Supervisory Board of GITS AG.

The assets, liabilities and income of the minority interests are not material.

PRESENTATION OF THE ACCOUNTING POLICIES

The following key accounting policies were used to prepare the consolidated financial statements of Utimaco:

(3) Method of presentation

The income statement was prepared using the cost of sales method.

As in the previous year, communication and insurance costs and the expenses for the internal IT infrastructure have been included under general administrative expenses to make the accounts more informative.

(4) Notes on accounting and consolidation policies that differ from German law

As a listed company, the Company prepared its accounts as of the balance sheet June 30, 2008 in accordance with IFRS.

The key differences to the German accounting policies under HGB are as follows:

- Required recognition of internally generated software (IAS 38) compared to prohibition of recognition under HGB
- Required recognition of income on construction contracts in line with the percentage of completion (POC) method in accordance with IAS 11 compared to prohibition of recognition of unearned income under HGB
- Required recognition of deferred tax assets for tax loss carryforwards (IAS 12) if it is sufficiently likely that the loss carryforwards can be used, compared to prohibition of recognition under HGB
- Measurement of pension obligations in line with the projected unit credit method taking into account future increases in salaries and pensions (IAS 19) compared to the present value method under HGB
- No amortization of goodwill, possible recognition of impairment following annual impairment test (IAS 36) compared to amortization under HGB.
- Inclusion of employee compensation on account of the share option program in the capital reserves and staff costs (IFRS 2) compared to non-inclusion under HGB.

(5) Principles of consolidation

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies. The single entity financial statements of affiliated companies have been prepared as of the reporting date of the consolidated financial statements.

a) Majority investments

Consolidation is based on the purchase method. The costs of investments are offset against the incurred pro rata equity at the date of acquisition or first-time inclusion in the consolidated financial statements. Minority interests in these companies are calculated on the basis of the carrying amounts of the assigned pro rata equity before the acquisition. Any difference arising is allocated to assets or liabilities to the extent that their fair value differs from the carrying amount. Any positive difference is treated as goodwill and tested for impairment once per year or as required in line with IFRS 3.

Intra-group gains and losses, revenues, expenses and income and receivables and liabilities between consolidated companies are eliminated.

Tax effects have been considered for all consolidation activities in income and deferred taxes have been recognized.

b) Minority interests

Shares in companies in which Utimaco Safeware AG has a significant influence on its financial and operating policies (usually on the basis of a shareholding of between 20% and 50%) are carried at equity in line with IAS 28. Unrealized gains and losses from trade relationships between Utimaco Safeware AG and its affiliated companies are eliminated in line with the proportionate interest and the income tax effects by recognizing deferred taxes.

Investments in associated companies are remeasured if there are indications that the asset has been impaired. In the event of a lower fair value the asset is written down to this amount.

c) Investments in companies in which Utimaco Safeware AG has neither a controlling nor a significant influence

Shares in companies in which Utimaco Safeware AG has neither a controlling nor a significant influence on its financial and operating policies are carried at cost in line with IAS 39.

(6) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances and are carried at their nominal amount.

(7) Securities

Securities are treated as financial instruments in line with IAS 39. They are recognized at the time at which Utimaco becomes a contractual partner in the regulations of the financial instrument. When the financial instruments are reported for the first time they are assigned to the categories ”available for sale“ or ”held for trading“. Available for sale securities are carried at fair value. The interest calculated using the effective interest method is recognized in interest income. There were no profit or loss items recognized in equity in the year under review.

(8) Receivables

Trade receivables are carried at amortized cost including write-downs for discernible individual risks.

(9) Inventories

Inventories are carried at the lower of cost and net realizable value in line with IAS 2 using the simplified measurement method permitted (weighted average method). All discernible risks in inventory assets arising from reduced usability are taken into account by way of appropriate write-downs. The principle of the lower of cost or market was applied. The measurement of manufacturing costs includes the direct production and materials costs, systematically attributable production and materials overheads and the administrative costs of production. Interest costs were not capitalized.

(10) Construction contracts

Specially negotiated construction contracts are recognized in line with the percentage of completion (POC) method in accordance with IAS 11. Portions of income from construction contracts are recognized in line with the POC if the necessary adjustments in design, function or technology are an essential characteristic of the customer contract and the result of a customer contract can be reliably determined and the economic benefit is likely to flow. These contracts are reported under the trade receivables or payables in line with the POC. If the cumulative performance (contract costs and result) exceeds the advance payments in individual cases, the construction contracts are reported on the assets side of the balance sheet as future receivables from construction contracts under trade receivables. The applicable percentage of completion is based on the implementation of contractually specified subprojects. If there is a negative balance for construction contracts they are reported under the corresponding liabilities.

(11) Financial instruments

Financial instruments are contract-based commercial transactions entailing a right to cash or cash equivalents. Under IAS 32 these include primary financial instruments, cash and cash equivalents, marketable securities, trade receivables, trade payables, other receivables and liabilities and loans. The accounting criteria for these items are disclosed in the notes.

Financial instruments are classified as liabilities or equity in line with the economic content of the contractual agreement. Interest, dividends, gains and losses relating to financial instruments or one of their components that are classified as financial liabilities are reported as expenses or income in the income statement.

There were no derivative financial instruments used to hedge against risks arising from changes in exchange or interest rates on the balance sheet date.

(12) Other assets

Other assets are carried at amortized cost. Discernible risks are reflected by specific valuation allowances.

(13) Non-current financial assets

Loans to associates are carried at amortized cost. Non-current financial instruments are carried at their market value as their fair value as of the balance sheet date.

Loans and non-current investment securities are held to maturity or available for sale and carried at amortized cost or fair value respectively in accordance with IAS 39.

Impairment testing is carried out annually or if there are indications of impairment. Any impairment is then recognized. Investments at equity method are carried at pro rata equity capital in line with the carrying amount method.

(14) Property, plant and equipment

Property, plant and equipment are carried at cost less depreciation over their expected useful life. Permanent impairment in excess of normal use is recognized by way of write-downs. There were no indications of impairment as defined in IAS 36 on the balance sheet date. Borrowing costs are not capitalized. If property, plant and equipment is disposed off, the cost and any cumulative depreciation are write-downs are eliminated from the balance sheet and gain or loss on disposal is reported in the income statement.

The original cost of property, plant and equipment includes the purchase price and all directly attributable costs needed in order to make the asset ready for operation and to transport it to its place of use. Expenses arising after use of the asset has begun, such as maintenance costs, are recognized in income in the period in which they are incurred.

If it can be clearly proven that the expenses will lead to a rise in the expected future economic benefit flowing from the asset compared to its original performance level the related expenses are reported as subsequent costs of acquisition.

Property, plant and equipment are depreciated on a straight-line basis. The depreciation is based on the following useful lives used throughout the Group:

Buildings	25 years
Operating and office equipment	3 to 10 years

The useful lives and the depreciation methods used are reviewed in each period to ensure that the depreciation method and period correspond with the expected economic benefit of each item of property, plant or equipment.

(15) Accounting for leases

The leases are operating leases agreements as the material risks and rewards remain with the lessor, hence they are not capitalized by the lessee. The lease installments are recognized in the income statement as expenses on a straight-line basis over the term of the lease. There is no leased property, plant or equipment that can be regarded as purchases with long-term financing (finance leases).

(16) Intangible assets

Intangible assets are reported at cost and amortized on a straight-line basis over their expected useful life. Intangible assets are reported if it is probable that the future economic benefit of these assets will flow to the company and that the cost of these assets can be reliably measured. Impairment losses as defined by IAS 36 and the amortization periods and methods are reviewed annually at the end of each fiscal year and at other times if necessary.

a) Software and similar rights

The cost of new purchased software is capitalized and regarded as an intangible asset if these costs are not an integral component of the associated hardware. Software is amortized on a straight-line basis over three years.

This item also includes capitalized development costs. Expenses for the research and development of new internally generated software products are recognized as an expense when the technological feasibility in particular has been determined; costs incurred after this time are capitalized as development costs in accordance with IAS 38. The costs are no longer capitalized when the product can be released to customers. Changes in version and updates within these product lines do not meet the capitalization requirements of IAS 38 as they are not regarded as separate, new products. Instead, the focus is on the optimization of an existing product. Capitalized development costs are amortized on a straight-line basis over a period of five years. The carrying amount value of the capitalized development costs is checked for impairment annually.

b) Goodwill

Goodwill is the excess of the cost of a company acquisition on the day of purchase over the acquired share in the fair values of the identifiable assets of the acquired company. This is carried in the balance sheet as an asset. It is carried at cost. In line with IAS 36, goodwill is checked for impairment once per year. It is written down if appropriate. Under IAS 36, impairment is calculated by comparing the discounted expected future cash flow arising from the use of those assets with the corresponding designated goodwill amounts.

There were no indications of a reduction of goodwill resulting from reductions in the recoverable amount of the cash-generating unit.

(17) Liabilities

Current liabilities are recognized at repayment or settlement amount. Non-current liabilities and financial liabilities are reported at amortized cost.

(18) Provisions

Under IAS 19, pension provisions are calculated in line with the projected unit credit method, taking into account future salary and pensions adjustments. The service cost for pension beneficiaries is taken from the scheduled development of pension fund provisions. Accordingly, pension rights have only been included up to the amount earned as of June 30, 2008. Actuarial gains and losses are recognized in line with the corridor method.

Other provisions are recognized in accordance with IAS 37 if the company has a current obligation (legal or constructive) arising from a past event and it is likely that fulfilling this obligation will lead to an outflow of resources embodying an economic benefit and that the fulfillment amount can be reliably determined. In this context, the amount reported is the one that appears most likely following careful examination. Provisions containing an interest portion are discounted.

(19) Share-based payment

The Group applies the regulations of IFRS 2 ”Share-based Payment“.

The Group makes payments to certain staff that are settled using equity instruments. Payments to be settled with equity instruments are reported at their fair value at the time they are granted. The fair value determined at the time at which payments settled with equity instruments are granted is recognized on a straight-line basis in the income statement over the vesting period. The Group estimates the number of shares vesting.

The fair value is determined using the Black & Scholes model. This means that the company's management calculates or estimates to the best of its ability the factors included in the model. These are the expected remaining term, expected volatility and the expected dividends. Market data or the values from the share option program itself are used for the risk-free interest rate, the exercise price and the current price of the underlying shares at the time at which payments are granted.

(20) Revenue recognition

Income is recognized when it is likely that the economic benefit associated with the transaction will flow to the company and the amount can be reliably measured. Revenue is recognized less the general sales tax and any price reductions or discounts if the delivery to the customer or the provision of services has occurred and the risks and rewards of ownership have been transferred. Revenue generated by the sale of standard software is recognized on the delivery of the software. For personal software revenue is not recognized until the customer has accepted the software. Maintenance revenue is deferred pro rata over the term of the agreement.

(21) Grants

Government grants for research and development projects are recognized as income over the period in which the appropriate expenses are incurred in line with IAS 20.

No government grants were received for research and development projects in the year under review.

(22) Foreign currencies

a) Foreign currencies transactions

Transactions in foreign currency are reported at the current exchange rate. Assets and liabilities in foreign currency are converted using the exchange rate at the balance sheet date.

b) Currency translation within the Group

The annual financial statements of Group companies are translated in accordance with the functional currency concept. The functional currency of these companies is the currency used in the country in which these companies independently conduct their financial, business and organizational operations. The items in the balance sheet (not including equity items translated using historic exchange rates) are therefore translated using the exchange rate at the respective balance sheet date. The items in the income statements of the consolidated companies based abroad are translated to euro using the average exchange rates for the reporting year (modified reporting date method). Exchange rate gains and losses are recognized in equity under foreign currency translation adjustment.

(23) Pension plan

Selected persons have been granted a pension commitment in the form of a life-time pension if they have reached the age of 65 or are unable to work or conduct their chosen profession as set in the statutory pension provisions and leave the Company. A claim for pension payments arises when an insured event occurs. Pension claims expire after the month in which the conditions 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 surviving dependents' pension for the spouse of the beneficiary amounts to two-thirds of the pension.

In addition, an occupational pension scheme was set up for the staff of Utimaco Safeware AG employed in Germany in the year under review. The occupational pension scheme takes the form of deferred compensation and consists of two modules.

In the basic module Utimaco offers the opportunity of deferred compensation in line with section 1a of the Gesetz zur Verbesserung der betrieblichen Alterversorgung (BetrAVG – German Occupational Pensions Improvement Act) with tax subsidies in line with section 3 no. 63 of the Einkommenssteuergesetz (EStG – German Income Tax Act). These benefits are financed by direct insurance as part of a collective insurance policy concluded with a third-party insurance company. The insurance amount corresponds to the gross salary deferred by the employee plus an increase financed by Utimaco not exceeding € 945 per year. In each calendar year, the direct insurance amounts per employee including the increase contributed by Utimaco are limited to the tax-free amount in accordance with section 3 no. 63 EStG.

In addition to the basic module, Utimaco offers an extension module with the option to defer additional amounts exceeding the tax-free amounts stipulated in section 3 no. 63 EStG to finance further benefits. The amount of these benefits, which take the form of a direct commitment, is based on the benefits arising from a policy concluded with a third-party life insurance company and the contributions financed by deferred compensation.

(24) Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

(25) Income taxes

The tax load for income taxes is measured on the basis of the annual taxable income. 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 carrying amounts of assets and liabilities in the commercial balance sheet and the tax base, consolidation procedures and loss carryforwards that can be utilized. Deferred tax assets and liabilities are measured using the tax rates expected to apply to the period in which an asset is realized or a liability settled. These are based on the legal regulations that apply or have been passed as of the balance sheet date.

A deferred tax asset is recognized 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 asset is written down. Deferred tax assets are checked for impairment as of each balance sheet date and a new valuation allowance is recognized or existing valuation allowances are adjusted.

(26) Impairment of assets

In line with IAS 36, property, plant and equipment, intangible assets and other assets are checked for impairment if events or changes in circumstances provide indications that their carrying amount may not be recoverable. Goodwill and intangible assets with an indefinite useful life must be checked at least once a year for any possible impairment. Impairment on goodwill cannot be reversed. If the carrying amount value of an asset exceeds its recoverable amount an impairment loss is recognized for property, plant and equipment, intangible assets and other assets carried at cost. The recoverable amount is the higher of the net realizable value and the value in use. The net realizable value is the amount which can be raised by selling an asset in a standard market transaction between knowledgeable and willing parties. The value in use is the present value of the estimated future cash flow expected to arise from the continued use of an asset and its disposal at the end of its useful life. The recoverable amount is estimated for each individual asset or, if this is not possible, for the cash-generating unit.

With the exception of goodwill, impairment losses recognized on assets in previous years can be reversed if there are indications that the impairment no longer exists or that it may have been reduced. The reversal of impairment is recognized as income in the income statement.

(27) Segments

Utimaco is divided into segments.

A segment is a separate part of the Utimaco Group that provides goods and services that differ from those of other segments in terms of the way in which they are manufactured and sold among other things. Utimaco is divided into two (previous year: two) segments.

Segments: For management purposes the Group is divided into two segments at an international level. These areas form the basis on which the Company presents its top-level segment information. Financial information on business segments and main areas of business is shown under other disclosures in the notes.

Transactions between the segments: Segment income, expenses and earnings include transfers between business areas and geographic segments. These transfers are recognized at the usual market prices. These transfers are eliminated in consolidation.

(28) Estimates used in the preparation of the consolidated financial statements

The preparation of the annual financial statements requires that the Management Board makes assumptions and estimates that influence the amounts of liabilities, income and expenses and contingent liabilities as of the respective reporting date and in the reporting period in question. The actual results may vary from these estimates.

The main causes for uncertainty are the provisions and the likely future outstanding amounts in connection with the earn-out agreement arising from the acquisition of Utimaco Safeware France S.A. In addition, the assumptions used to calculate the staff costs 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 on the position of the Company as of the balance sheet date or show that the going concern assumption is incorrect are included in the balance sheet (adjusting events). Events after the balance sheet date not resulting in any adjustment are shown in the notes if they are significant.

(30) Date of publication

The consolidated financial statements approved by the Supervisory Board will be released for publication on the September 30, 2008.

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED BALANCE SHEET

Unless stated otherwise in the balance sheet items below, the current assets and liabilities reported in the consolidated balance sheet are due within one year.

(31) Cash

Cash consists of cash and bank balances.

€ thousand	June 30, 2008	June 30, 2007
Bank balances	33,919	22,805
Cash	6	6
	33,925	**22,812**

(32) Securities

No securities were held as of the balance sheet date (previous year: € 10,313 thousand).

(33) Trade receivables, net

The trade receivables of € 17,570 million (previous year: € 12,490 million) are predominantly due within one month and are all due within twelve months.

€ thousand	June 30, 2008	June 30, 2007
Due within 90 days	14,556	11,303
Due in more than 90 days	3,014	1,187
	17,570	**12,490**

As in the previous year, no notable valuation allowances or write-downs were recognized on receivables.

In the year under review, trade receivables did not include any future receivables from construction contracts (previous year € 277 thousand) recognized in line with the POC method under IAS 11.

As of the balance sheet date receivables from other investees and investors amounted to € 201 thousand (previous year: € 361 thousand).

(34) Inventories

Inventories break down as follows:

€ thousand	June 30, 2008	June 30, 2007
Raw materials and supplies	3	4
Work in progress	540	120
Merchandise	1,642	967
Advances	0	65
	2,184	**1,155**

As in the previous year, no valuation allowances were required for inventories.

(35) Other current assets

€ thousand	June 30, 2008	June 30, 2007
Prepaid expenses	728	503
Taxes	1,098	263
Security deposits	64	33
Interest receivables	107	90
Others	226	40
	2,224	**929**

(36) Non-current financial assets

€ thousand	June 30, 2008	June 30, 2007
Loans to associates	0	0
Non-current financial instruments	36	36
	36	**36**

€ 0 thousand (previous year: € 1 thousand) of the securities holdings of € 36 thousand (previous year: € 36 thousand) serve to cover the legal settlement claims of employees at the Austrian branch.

Non-current financial assets developed as follows:

€ thousand	Loans to associates	Securities	Total
2007/2008			
Gross values at July 1, 2007	925	44	969
Currency translation	0	0	0
Additions	7	0	7
Gross values at June 30, 2008	932	44	976
Impairment and write-downs July 1, 2007	925	8	933
Currency translation	0	0	0
Additions	7	1	8
Gross values at June 30, 2008	932	9	940
Net carrying amounts at June 30, 2007	**0**	**36**	**36**
Net carrying amounts at June 30, 2008	**0**	**36**	**36**
2006/2007			
Gross values at July 1, 2006	917	44	961
Currency translation	0	0	0
Additions	7	0	7
Gross values at June 30, 2007	925	44	969
Impairment and write-downs July 1, 2006	867	6	873
Currency translation	0	0	0
Additions	57	1	58
Gross values at June 30, 2007	925	8	933
Net carrying amounts at June 30, 2006	**50**	**38**	**88**
Net carrying amounts at June 30, 2007	**0**	**36**	**36**

(37) Investments in associates

The investments in associates reported under non-current assets are the shareholdings in Utimaco Safeware Asia Ltd., Hong Kong, and Gesellschaft für IT-Sicherheit AG (GITS AG) Bochum, Germany.

Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, is carried at cost less pro rata losses in the reporting period.

This does not include the interest in Utimaco Safeware Belgium NV that was written down in full in fiscal 2004. It filed for insolvency on September 16, 2002 and has since then been in the process of being wound up. As in the previous year, it no longer conducts any operating activities. The company has not yet been deleted from the Belgian commercial register.

Investments in associates developed as follows::

€ thousand	GITS AG	Utimaco Asia Ltd.	Total
2007/2008			
Gross values at July 1, 2007	50	507	557
Currency translation	0	0	0
Additions	13	0	13
Gross values at June 30, 2008	63	507	570
Impairment and write-downs July 1, 2007	50	507	557
Additions	13	0	13
Gross values at June 30, 2008	63	507	570
Net carrying amounts at June 30, 2007	**0**	**0**	**0**
Net carrying amounts at June 30, 2008	**0**	**0**	**0**
2006/2007			
Gross values at July 1, 2006	50	507	557
Currency translation	0	0	0
Additions	0	0	0
Gross values at June 30, 2007	50	507	557
Impairment and write-downs July 1, 2006	50	507	557
Additions	0	0	0
Gross values at June 30, 2007	50	507	557
Net carrying amounts at June 30, 2006	**0**	**0**	**0**
Net carrying amounts at June 30, 2007	**0**	**0**	**0**

(38) Property, plant and equipment

€ thousand	June 30, 2008	June 30, 2007
Leasehold improvements	200	96
Operating and office equipment	1,748	1,579
	1,948	**1,675**

Property, plant and equipment developed as follows:

€ thousand	Leasehold improvement	Operating and office equipment	Total
2007/2008			
Gross values at July 1, 2007	105	5,638	5,743
Currency translation	0	0	0
Additions	134	895	1,029
Disposals/reclassification	0	-100	-100
Gross values at June 30, 2008	239	6,432	6,671
Depreciation and write-downs at July 1, 2007	9	4,059	4,068
Currency translation	14	29	43
Additions	16	696	712
Disposals/reclassification	0	-100	-100
Gross values at June 30, 2008	39	4,684	4,723
Net carrying amounts at June 30, 2007	**96**	**1,579**	**1,675**
Net carrying amounts at June 30, 2008	**200**	**1,748**	**1,948**
2006/2007			
Gross values at July 1, 2006	13	5,063	5,076
Currency translation	0	0	0
Additions	92	1,101	1,193
Additions from Company acquisitions	0	25	25
Disposals/reclassification	0	-551	-551
Gross values at June 30, 2007	105	5,638	5,743
Depreciation and write-downs at July 1, 2006	2	3,742	3,744
Currency translation	1	8	9
Additions	6	757	763
Disposals/reclassification	0	-448	-448
Gross values at June 30, 2007	9	4,059	4,068
Net carrying amounts at June 30, 2006	**11**	**1,323**	**1,334**
Net carrying amounts at June 30, 2007	**96**	**1,579**	**1,675**

(39) Intangible assets

€ thousand	June 30, 2008	June 30, 2007
Software and similar rights	6,206	7,872
Goodwill	3,330	2,884
	9,537	**10,756**

Intangible assets developed as follows:

€ thousand	Software and similar rights	Goodwill	Total
2007/2008			
Gross values at July 1, 2007	18,883	6,002	24,885
Currency translation	0	0	0
Additions	292	447	739
Disposals/reclassification	-42	0	-42
Gross values at June 30, 2008	19,133	6,449	25,582
D July 1, 2007	11,011	3,119	14,130
Currency translation	0	0	0
Additions	1,958	0	1,958
Disposals/reclassification	-42	0	-42
Gross values at June 30, 2008	12,927	3,119	16,046
Net carrying amounts at June 30, 2007	**7,872**	**2,884**	**10,755**
Net carrying amounts at June 30, 2008	**6,206**	**3,330**	**9,536**
2006/2007			
Gross values at July 1, 2006	15,360	4,399	19,759
Currency translation	0	0	0
Additions	3,275	529	3,804
Additions from company acquisitions	406	1,075	1,481
Disposals/reclassification	-159	0	-159
Gross values at June 30, 2007	18,883	6,002	24,885
Depreciation and write-downs at July 1, 2006	9,943	3,119	13,062
Currency translation	0	0	0
Additions	1,198	0	1,198
Disposals/reclassification	-130	0	-130
Gross values at June 30, 2007	11,011	3,119	14,130
Net carrying amounts at June 30, 2006	**5,417**	**1,280**	**6,697**
Net carrying amounts at June 30, 2007	**7,872**	**2,884**	**10,755**

Software and similar rights include costs for the development of new software products of € 7,701 thousand. These costs were reduced by amortization of € 1,541 thousand (previous year: € 509 thousand) producing a remaining carrying amount of € 5,651 thousand. The scheduled remaining term will end in fiscal 2011/2012.

Goodwill primarily consists of software and customer bases acquired in the context of acquisitions. It rose by € 447 thousand on account of subsequent acquisitions costs for Utimaco Safeware France S.A. based on the earn-out agreement concluded in 2006.

Information on goodwill impairment test

The goodwill impairment test is performed annually on the basis of the cash-generating units by comparing the recoverable amount with the carrying amount, whereby the recoverable amount is based on the value in use. The segments were chosen as the cash-generating units. The LIMS segment accounts for goodwill of € 853 thousand (previous year: € 853 thousand) and the Data Protection segment accounts for € 2,477 thousand (previous year: € 2,030 thousand).

The value in use is calculated using a modified discounted cash flow method based on the following premises:

- Cash flows are based on current management planning
- For the periods that lie after the planning period a growth rate of 3.5% has been assumed
- A weighted average cost of capital (WACC) of 10% has been assumed

The impairment tests did not lead to any indications of permanent impairment.

(40) Deferred taxes

Deferred taxes are recognized for all significant temporary and quasi-permanent differences between the commercial balance sheet and the tax base in accordance with IAS 12. Income taxes on earnings are calculated on the basis of legislation in place or passed as of the balance sheet date.

The Company's deferred taxes are as follows:

€ thousand	June 30, 2008	June 30, 2007
Deferred tax assets from		
• tax losses carryforwards	736	5,043
• temporary and quasi-permanent differences	175	294
	911	5,337
Offsetting against deferred tax liabilities to same tax authorities	-911	-4,256
	0	1,082
Deferred tax liabilities from		
• temporary and quasi-permanent differences	-3,169	-4,749
Offsetting against deferred assets from the same tax authorities	911	4,256
	-2,258	**-493**

Deferred tax assets of € 911 thousand (previous year: € 5,337 thousand) were recognized for those units that are likely to generate taxable income before the tax losses expire and this can be used to offset the losses.

Regardless of usability the tax loss carryforwards are as follows:

€ thousand	June 30, 2008	June 30, 2007
Utimaco Safeware AG, Oberursel*, Germany	4,446	12,160
Utimaco Safeware Oy, Vantaa, Finland	1,555	1,647
Utimaco Safeware AB, Kista, Sweden	12	0
Utimaco Safeware AG (Schweiz), Schlieren, Switzerland	14	496
Utimaco Safeware Ltd., Staines, Middlesex, UK	1,425	1,547
Utimaco Safeware Inc., Foxboro, USA	3,922	2,383
uti-maco safeguard systems international GmbH, Oberursel, Germany	431	667
Utimaco Safeware KK, Yokohama, Japan	1,209	768
Others	8	7
	13,021	**19,675**

* including share of facilities in the amount of € 2,286 thousand (previous year: € 2,295 thousand)

Please refer also to the information under (57) "Income taxes".

(41) Trade payables

As in the previous year, the total amount of € 3,251 thousand (previous year: € 1,893 thousand) is due within one year.

(42) Other liabilities

€ thousand	June 30, 2008	June 30, 2007
Staff remuneration	2,818	2,294
Sales and other taxes	601	781
Wage and church tax	370	300
Social security contributions	159	133
Liability from acquisition	903	493
Others	288	176
	5,139	**4,177**

The acquisition liability relates to the acquisition of the French subsidiary Utimaco Safeware France S.A.

(43) Provisions for taxes

Provisions for taxes comprise the amounts that the Group companies owe in taxes. As of the reporting date this amount was € 206 thousand (previous year: € 1,085 thousand)..

(44) Provisions

The composition of provisions and their probable utilization are as follows:

€ thousand	As of July 1, 2007	Utilization	Reallocation	Reversal	As of June 30, 2008	Expected utilization
Outstanding vacation	734	316	474	69	824	H1 2008/09
Other staff provisions	2,415	2,267	962	148	962	H1 2010/11 or later
Settlement claim	34	34	0	0	0	
Other	1,233	838	479	69	805	Until fiscal 2009/10
	4,416	**3,455**	**1,915**	**286**	**2,590**	

The other staff provisions include the provisions for the three-year bonus program in the amount of € 687 thousand (previous year: € 2,171 thousand) and for the potential compensation claims of the Management Board in the amount of € 275 thousand (previous year: € 0 thousand). The other provisions essentially include an amount for the probably future purchase price payment of € 198 thousand (previous year: € 653 thousand) for the acquisition of the French subsidiary Utimaco Safeware France S.A.

(45) Deferred income

Deferred income essentially relates to the deferral of maintenance agreements for software invoiced in the period under review. It amounts to € 8,586 thousand (previous year: € 7,428 thousand), of which € 7,763 thousand (previous year: € 6,604 thousand) is due within one year.

(46) Pension provisions

One (previous year: one) active employee and six former employees (previous year: six) of Utimaco (six of whom 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 surviving dependents' pension for the spouse of the beneficiary amounts to two-thirds of the pension.

The provisions reported as of the balance sheet date exclusively for defined benefit pension commitments is the projected unit credit permitted under IAS 19. Pension obligations were calculated by an independent actuary.

The pension commitments are not financed by external pension fund. Pension expenses in 2007/2008 amounted to € 45 thousand (previous year: € 45 thousand).

No actuarial gains or losses were incurred.

Provisions for pensions developed as follows:

€ thousand	June 30, 2008	June 30, 2007
Present value of pension obligation at July 1, 2007	1,010	1,026
Current service cost	1	1
Interest expenses for obligation	44	44
Actuarial gain/loss	0	0
Pension rights paid	-89	-61
Present value of pension obligation at June 30, 2008	**966**	**1,010**

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

%	June 30, 2008	June 30, 2007
Discount rate	5.40	5.30
Assumed future pension increases	2.00	1.75
Expected developments in wages and salaries	0.0	0.0

The payment obligation from the direct commitment in line with the extension module amounted to € 70 thousand as of June 30, 2008 (previous year: € 0 thousand) and is insured by a matched-maturity reinsurance policy pledged to the employees. As the present value of the obligation is the fair value of the plan assets, the direct insurance, both items were offset against each other.

(47) Equity

The issued capital of € 14,745,449.00 (previous year: € 14,745,449.00) is divided into 14,745,449 no-par-value bearer shares (previous year: 14,745,449).

The capital reserves amount to € 6,271 thousand (previous year: € 5,533 thousand) and include the change in equity due to the ongoing share option programs. Other earnings reserves amounted to € 12,912 thousand (previous year: € 6,912 thousand).

By way of resolution of the Annual General Meeting on November 26, 2003, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital by not more than € 6,227,243.00 on one or more occasions by issuing new bearer shares against contributions by October 31, 2008. This was entered in the commercial register on February 4, 2004. With the approval of the Supervisory Board, the Management Board shall decide on the disapplication of subscription rights. However, subscription rights can only be disapplied

- to perform one or more capital increases against non-cash contributions, particularly in the context of company acquisitions or investments in companies in the information technology sector
- up to an increase in share capital of not more than € 1,245,448 if, in individual cases, a capital increase is implemented against cash contributions not exceeding 10% of the share capital and the issue amount is not significantly less than the stock exchange price (section 186 (3) sentence 4 of the Aktiengesetz (AktG – German Stock Corporations Act)).

By way of resolution of the Annual General Meeting on November 24, 2005, the share capital was contingently increased by up to € 480,000 to meet obligations arising from a share option program. This new contingent capital 2005/I was entered in the commercial register on January 16, 2006.

By way of resolution of the Annual General Meeting on November 27, 2007, the share capital was contingently increased by up to € 500,000 to meet obligations arising from a share option program. This new contingent capital 2007/I was entered in the commercial register on December 5, 2007.

In accordance with the resolution by the Management Board, € 6,000 thousand of the net profit of Utimaco Safeware AG for the year of € 12,000 thousand was transferred to the other earnings reserves and € 6,000 thousand was transferred to the net retained profits. The Management Board and the Supervisory Board propose to the Annual General Meeting to distribute the net retained earnings by paying a dividend of € 0.15 per share (previous year: € 0.15 per share) to the shareholders.

(48) Treasury shares

Utimaco does not hold any treasury shares.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

(49) Revenue

In the standard products area revenues are recognized on delivery of the merchandise. For individual software they are recognized on the acceptance of the project. Revenues are reported net of VAT, sales allowances and credit notes.

Revenues by product group were as follows:

€ thousand	2007/2008	2006/2007
Licences	39,196	32,321
Maintenance	11,371	9,988
Hardware	5,043	4,509
Service	2,128	2,232
Other	1,506	329
	59,243	**49,380**

No order proceeds were recognized in line with IAS 11 "Construction Contracts" in the reporting period (previous year: € 277 thousand).

(50) Cost of sales

The cost of sales broke down as follows:

€ thousand	2007/2008	2006/2007
Costs of purchased goods and services	4,170	2,492
Staff costs	2,091	2,146
Depreciation, amortization and write-downs	1,646	946
Other cost of materials	680	319
	8,588	**5,902**

Write-downs include € 1,541 thousand (previous year: € 509 thousand) on capitalized development costs for SafeGuard Enterprise which began in March 2007 on its completion.

(51) Sales and marketing costs

Sales and marketing costs comprised:

€ thousand	2007/2008	2006/2007
Staff costs	15,589	13,171
Depreciation, amortization and write-downs	233	226
Other cost of materials	9,008	8,102
	24,830	**21,498**

(52) Research and development costs

Research and development costs break down as follows:

€ thousand	2007/2008	2006/2007
Staff costs	7,230	4,875
Depreciation, amortization and write-downs	369	348
Other cost of materials	2,588	2,167
	10,187	**7,389**

No development costs were capitalized in the year under review (previous year: € 2,914 thousand).

(53) General administrative costs

The general administrative costs break down as follows:

€ thousand	2007/2008	2006/2007
Staff costs	3,648	3,182
Depreciation, amortization and write-downs	433	349
Other cost of materials	2,798	2,110
	6,880	**5,642**

(54) Other operating income

Other operating earnings breaks down as follows:

€ thousand	2007/2008	2006/2007
Rental income	83	89
Currency gains	21	20
Reversal of provisions	286	138
Others	304	156
	694	**403**

(55) Other operating expenses

Other operating expenses break down as follows:

€ thousand	2007/2008	2006/2007
Currency losses	802	202
Bad debt allowances	77	128
Compensation for early contract termination	0	120
Others	305	318
	1,184	**768**

(56) Financial result

Financial result in the reporting year amounted to € 1,128 thousand (previous year: € 1,091 thousand). This includes interest income of € 1,158 million (previous year: € 1,170 thousand). Interest expenses in the fiscal year amounted to € 9 thousand (previous year: € 21 thousand). Write-downs on financial assets in the fiscal year amounted to € 21 thousand (previous year: € 58 thousand).

(57) Income taxes

The information on income taxes is as follows:

€ thousand	2007/2008	2006/2007
Current tax income/expenses		
• of which Germany	-1,361	-1,323
• of which outside Germany	-309	-197
Total current tax income/expenses	-1,670	-1,520
Deferred tax income/expenses		
• of which Germany	-1,763	-3,076
• of which outside Germany	-1,084	1,200
Total deferred tax income/expenses	-2,847	-1,876
	-4,517	**-3,396**

€ 3,224 thousand (previous year: € 2,130 thousand) of the deferred tax expenses for Germany of € 1,763 thousand (previous year: € 3,076 thousand) relate to the reversal of deferred tax assets on account of the utilization of deferred tax assets and € 1,580 thousand (previous year: € 946 thousand) relates to the reversal of deferred tax liabilities, mainly as a result of the first-time write-down of development costs capitalized until the previous year.

In particular, the deferred tax expense for outside Germany of € 1,084 thousand (previous year: tax income of € 1,200 thousand) resulted from the derecognition of deferred tax assets recognized in the previous year in the US as it is no longer likely that the Company can utilize the loss carryforwards in the US in line with its tax planning.

€ thousand	2007/2008	2006/2007
Earnings before taxes		
• Germany	11,627	11,534
• Outside Germany	-336	-1,860
	11,292	**9,674**

Income taxes consist of corporation tax, the Germany solidarity surcharge, trade tax and their foreign equivalents. Deferred taxes are recognized for all significant temporary and quasi-permanent differences between the commercial balance sheets and the tax base in accordance with IAS 12.

Please refer also to the information under (40) ”Deferred tax assets“.

The effective tax rate in Germany (for corporation tax, the solidarity surcharge and trade tax) for the Company is 28.4% (previous year: 37.6%). As, in accordance with IAS 12.48, taxes are calculated using the tax rates and regulations currently in force and the German 2008 tax reform was only officially announced on approval of the legislation by the German Bundesrat on July 6, 2007, the tax reduction arising from the reforms affected the measurement of tax assets and liabilities for the first time in the consolidated financial statements as of June 30, 2008. The effect on earnings of the change in tax legislation was € 1,575 thousand.

The reconciliation of the tax expenses at the effective tax rate in Germany (based on pre-tax earnings) to current income tax expenses is as follows:

€ thousand	2007/2008	2006/2007
Earnings before income taxes	+9,396	+9,674
Group income tax rate	28.4%	37.6%
Expected tax income	-2,668	-3,637
Tax effect on (permanently) non-deductible operating expenses less tax-free income	+370	-165
Difference from foreign income tax rates	+263	+79
Tax effects arising from consolidation	-131	-97
Effect of change in tax rate (37.6% in previous year to 28.4%)	-1,575	0
Reversal (previous year: recognition) of deferred taxes on loss carryforwards	+953	+776
Tax effects on changes in loss carryforwards for which no deferred taxes have been recognized	-1,652	-303
Other	-77	-49
Current tax expense/income	**-4,517**	**-3,396**

(58) Earnings per share

Earnings per share were calculated using the weighted average number of shares. The calculation was based on net profit for the year after minorities.

In fiscal 2007/2008, the weighted average number of shares for determining the basic and diluted earnings per share was:

Number of shares	2007/2008	2006/2007
Weighted average – basic	14,745,449	14,745,449
Weighted average – diluted	15,448,800	15,225,449

The earnings per share in accordance with IAS 33 in the previous fiscal year were:

€	2007/2008	2006/2007
Earnings per share – undiluted	0.33	0.43
earnings per share – diluted	0.32	0.41

The dilution of earnings per share is caused by share option programs as follows:

	June 30, 2008	June 30, 2007
Shares from issued capital	14,745,449	14,745,449
Shares from contingent capital	255,000	18,500
Share options issued	632,000	461,500
Shares including dilution	15,632,449	15,225,449

SEGMENT REPORTING

The markets in which Utimaco operates differ in terms of 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 broken down into divisions. Primary segment reporting is based on the divisions, secondary segment reporting is in line with geographical criteria. This corresponds to the structure of the sales organization and internal reporting.

At the start of fiscal 2007/2008, segment reporting was adjusted as part of the ongoing strategic orientation of the former Personal Device Security segment towards a comprehensive solution offering for data security. In addition to the previous SafeGuard software, products and supplementary third-party products such as smartcard readers, the new Data Protection segment includes the products previously assigned to the former Transaction Security division, SafeGuard MailGateway and SafeGuard Cryptoserver. The former Transaction Security segment was renamed in line with its remaining business activities as Lawful Interception & Monitoring Solutions (LIMS). The figures for the previous year have been adjusted accordingly for purposes of comparison.

Primary segment reporting

Utimaco is therefore divided into the following two segments/divisions:

Data Protection

The Data Protection division develops and markets professional solutions to protect the confidentiality and integrity of data at rest, data in transit and data in use. The solution portfolio is referred to as the SafeGuard product family and comprises software and hardware solutions. Sales are implemented both directly and indirectly through sales and OEM partners.

Lawful Interception & Monitoring Solutions

The Lawful Interception & Monitoring Solutions (LIMS) division develops solutions for network operators and telecommunications providers for different forms of lawful monitoring of telecommunications services. LIMS solutions are based on a central management platform for all the communications services of a telecommunication provider for which monitoring is required and form the interface to the authorized authorities (law enforcement agencies, LEAs) and their monitoring center. They support a range of network elements and can therefore be integrated into practically any communication network of a fixed-line, mobile telecommunications or Internet provider. They can monitor voice and data services including telephony, fax, SMS, MMS, e-mail, voicemail, VoIP, push-to-talk and other Internet services. The design of LIMS solutions complies with the international lawful interception standards of ETSI, 3GPP, ANSI, PacketCable and have been tested by various national authorities on data monitoring. The highest security requirements are complied with in the processing of private data by way of encryption, revisable logging and the division of responsibilities in line with the principle of dual control principle. Sales are implemented directly and through OEM partners.

The following table shows external income and any inter-segment income. The same market prices offered to customers were used as the basis for offsetting transactions between the segments.

€ thousand	Data Protection 2007/08	PY	LIMS 2007/08	PY	General 2007/08	PY	Total 2007/08	PY
External income	49,843	43,184	9,400	6,196			59,243	49,380
Income between segment	0	0			0	0	0	0
Total income	**49,843**	**43,184**	**9,400**	**6,196**	**0**	**0**	**59,243**	**49,380**
Merchandise sold	-2,053	-1,584	-2,117	-920	0	12	-4,170	-2,492
Depreciation/amortization	-2,194	-1,353	-55	-169	-433	-347	-2,681	-1,869
Operating costs	-34,106	-31,614	-3,452	-2,211	-6,076	-5,160	-43,634	-38,984
SW capitalization	0	2,914					0	2,914
Segment earnings	**11,491**	**11,546**	**3,776**	**2,896**	**-6,509**	**-5,494**	**8,758**	**8,948**
Other operating income							694	403
Other operating expenses							-1,184	-768
Profit from operating activities							**8,268**	**8,583**
Net income from associates							0	0
Net financial income							1,128	1,091
Earnings before taxes							**9,396**	**9,674**
Income taxe expense							-4,517	-3,396
Earnings after taxes and before minority interests							**4,878**	**6,278**
Minority interests							0	0
Earnings after taxes and minority interests							**4,878**	**6,278**
Assets	**29,240**	**28,010**	**5,772**	**3,782**	**32,412**	**29,457**	**67,424**	**61,248**
Liabilities	**16,516**	**15,125**	**2,093**	**965**	**4,613**	**4,626**	**23,222**	**20,716**
Investments								
• Intangible assets	667	5,179	9	0	63	106	739	5,285
• Property, plant and equipment	672	823	105	60	252	334	1,029	1,218
• Financial assets	–	–	–	–	–	–	–	–

Secondary segment reporting

For the purposes of secondary segment reporting sales are presented by geographical region as follows:

	2007/2008 € thousand	2007/2008 %	2006/2007 € thousand	2006/2007 %
Germany	24,401	41	21,816	44
Europe	18,766	32	13,441	27
America	11,845	20	11,066	22
Asia/Pacific/Africa	4,230	7	3,057	6
	59,243	**100**	**49,380**	**100**

The following table below shows the carrying amounts assigned to sales segments and the associated investments in intangible assets and property, plant, equipment:

	Carrying amount of segment assets		Investments in intangible assets and property, plant and equipment	
€ thousand	2007/2008	2006/2007	2007/2008	2006/2007
Germany	18,455	18,634	492	3,620
Europe	10,866	7,786	573	2,217
America	5,079	4,862	291	222
Rest of world	612	510	98	3
Total segments	**35,012**	**31,792**	**1,453**	**6,062**
General	32,412	29,457	315	440
Total assets	**67,424**	**61,248**	**1,768**	**6,503**

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the Utimaco Group's cash situation changed over the year under review as a result of cash inflows and outflows. Cash flows are broken down according to operating, investing and financing activities. The cash reported in the cash flow from financing activities includes cash in hand, checks, and bank balances.

Cash and cash equivalents exclusively comprise cash in hand and available on demand bank balances. There were no significant changes in these cash and cash equivalents.

As in the previous year, current securities and changes in them are recognized in the cash flow from investing activities.

Changes in other non-cash items

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

OTHER DISCLOSURES

(59) Share-based payment for employees

In the reporting period, the first tranche of the 2007 share option program approved by the Annual General Meeting on November 27, 2007 was issued with 245,000 options. 140,000 of these options were granted to employees and 105,000 were granted to members of the Management Board.

	Total options	Of which Management Board	Exercisable from	to	Reference share price	Reference DAX
Share option program 2005						
Tranche 2005 I	230,000	90,000	Feb 2009	Feb 2012	€ 8.09	5,188
Tranche 2005 II	231,500	105,000	Nov 2009	Nov 2012	€ 11.43	6,412
Total 2005	461,500	195,000				
Share option program 2007						
Tranche 2007 I	245,000	105,000	Dec 2010	Dec 2013	€ 7.69	7,531
Total	**706,500**	**300,000**				

Provided that the conditions for exercising them are met, options can be exercised for a period of three years from February 2009. By contrast, options held by members of the Management Board can only exercise them at least two years after the grant date regardless of whether the performance targets described below are achieved if one shareholder or a group of shareholders acting in concert holds the majority of shares in the company (change of control).

The share option programs generates staff costs of € 738 thousand (previous year: € 501 thousand) in the year under review in accordance with IFRS 2.

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

	Share option program 2005 Tranche 2005 I	Tranche 2005 II	Share option program 2007 Tranche 2007 I
Value of an option at the time of issue	€ 4.26	€ 6.34	€ 2.48
Parameters			
Exercise price	€ 6.51	€ 6.51	€ 11.69
Expected remaining term	3.5 years	3.5 years	3.5 years
Weighted average price when granted	€ 9.68	€ 12.13	€ 9.44
Expected volatility	40%	40%	46%
Expected discounted dividends over the term	€ 0.43	€ 0.57	€ 0.48
Risk-free interest rate for the expected term of the options	3.50%	3.77%	4.33%

The expected volatilities used were the approximate one-year volatilities at the time of issue. The expected remaining term used in the model was set according to the best possible estimate by the management, taking into account factors arising from the non-transferability and the exercise restrictions on the options.

The contingent capitals to serve the options were resolved in the Annual General Meetings on November 24, 2005 and November 27, 2007 in the amounts of € 480 thousand and € 500 thousand respectively.

In accordance with the terms of the share option programs the options can only be exercised in shares and not cash.

Exercise price and performance targets of the share option program 2005

The exercise price for employee and Management Board options in the 2005 share option program is € 6.51 per share. The options can only be exercised under the conditions that

- the weighted average German stock market price of the shares of the Company (average price as defined by section 5 of the Offer Regulations of the German Securities Acquisition and Takeover Act) has been at least 10% higher than the reference price on at least one days in the twelve months before the end of the qualifying period for the options in question and
- at the same time the difference between the reference price and the share price as defined in the previous bullet point is, in percentage

terms, at least as large as the difference for the respective closing level of the DAX index on the day(s) concerned.

The reference price is the weighted average German listed price of the Company's shares (average price as defined by section 5 of the Offer Regulations of the German Securities Acquisition and Takeover Act) on the day of the Annual General Meeting before the options are issued – this price is € 11.43 for the 2005 share option program. The performance target for exercising the options in tranche I was first reached on March 12, 2008.

Exercise price and performance targets of the share option program 2007

The exercise price for employee and Management Board options in the 2007 share option program is € 11.69 per share. The options can only be exercised under the conditions that

- the weighted average German stock market price of the shares of the Company (average price as defined by section 5 of the Offer Regulations of the German Securities Acquisition and Takeover Act) has been at least 10% higher than the reference price on at least one days in the twelve months before the end of the qualifying period for the options in question and
- at the same time the difference between the reference price and the share price as defined in the previous bullet point is, in percentage terms, at least as large as the difference for the respective closing level of the DAX index on the day(s) concerned,

or

- the weighted average German stock market price of the shares of the Company (average price as defined by section 5 of the Offer Regulations of the German Securities Acquisition and Takeover Act) has been at least 30% higher than the reference price on at least one days in the twelve months before the end of the qualifying period for the options in question.

The reference price is the weighted average German listed price of the Company's shares (average price as defined by section 5 of the Offer Regulations of the German Securities Acquisition and Takeover Act) on the day of the Annual General Meeting before the options are issued – this price is € 7.69 for the 2007 share option program.

The table below shows the outstanding share options already issued in the 2005 and 2007 share option programs at the start and end of the fiscal year:

	2007/2008		2006/2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
As of the start of the fiscal year	424,500	€ 6.51	230,000	€ 6.51
plus granted options	245,000	€ 11.69	231,500	€ 6.51
less forfeited options	37,500	€ 7.06	37,000	€ 6.51
less exercised options	0		0	
less expired options	0		0	
As of the end of the fiscal year	**632,000**	**€ 8.49**	**424,500**	**€ 6.51**

(60) Capital management and financial risk management

The Group's capital structure essentially consists of equity. As of the end of fiscal 2007/2008, the equity ratio was 65.6% (previous year: 66.2%). This ensures that all Group companies can operating under the going concern premise. The main concern here is that the Group companies are able to pay third parties at all times.

The Group's financial instruments predominantly include cash and cash equivalents and trade receivables. The Group does not hold any other financial instruments that entail significant financial risks. Financial transactions of a speculative nature are not permitted by internal guidelines.

(61) Related parties

In addition to the companies already included in the consolidated financial statements, the Management Board and the Supervisory Board (see also notes (69) and (70)), the following companies and people are related parties of Utimaco as defined by IAS 24:

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

On the balance sheet date the following net receivables were due from the related parties:

€ thousand	June 30, 2008	June 30, 2007
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, Germany	0	0
Utimaco Safeware Asia Ltd., Hong Kong	201	361
	201	**361**

The following liabilities were due to related parties:

€ thousand	June 30, 2008	June 30, 2007
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, Germany	0	0
Utimaco Safeware Asia Ltd., Hong Kong	542	138
	542	**138**

In the past fiscal year the following transactions took place with related parties:

€ thousand	GITS AG	Utimaco Asia Ltd.
Purchases from…	0	795
Sales to…	0	391

Transactions with related parties were implemented at standard market prices and conditions.

(62) Fees for the audit of the consolidated financial statements recognized as expenses

In fiscal 2007/2008 fees totaling € 172 thousand (previous year: € 114 thousand) were paid to the auditors PKF Pannell Kerr Forster GmbH, Frankfurt/Main, Germany. This sum broke down as follows:

Fee for in € thousand	June 30, 2008	June 30, 2007
Audits of financial statements	98	98
Other assurance or valuation services	3	1
Tax advisory services	11	11
Other services	60	4
Total	**172**	**114**

The fees for audits of financial statements mainly comprise the fees for auditing the consolidated financial statements and the annual financial statements of Utimaco Safeware AG. Fees for tax advisory services mainly comprise advisory services for the tax returns of Utimaco Safeware AG. The other services mainly include opinions on the measurement and reporting of changes in investments.

(63) Financial instruments

a) Interest rate risk

The Company currently has no loan obligations and does not use financial instruments to hedge interest rate risks

b) Exchange rate risks

The Company is always subject to an exchange rate risk when transactions are conducted in a currency other than the reporting currency. As a significant portion of the Group's business takes place outside the euro zone there is a risk of negative developments in exchange rates.

The largest share of non-euro transactions takes places in the US dollar zone. The exchange rate risks arises from the net total of foreign currency income and expenses in combination with the business volumes settled and the change in relation to the reporting currency.

The Company does not use any currency futures to reduce the risks entailed by exchange rate changes.

c) Liquidity risk

Liquidity risks arise from 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 the solvency of its customers.

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

As of the reporting date, cash and cash equivalents alone accounted for 50.3% of assets. The liquidity risk is therefore classed as low.

d) The fair value of financial instruments

Financial instruments held to maturity in normal operations are carried at the current market or redemption value. The value recognized is referred to below as the carrying amount.

The fair value is defined as the amount for which the instrument could be exchanged in a current transaction (not including forced disposals or liquidations) between knowledgeable, willing parties in an arm's length transaction. Depending on the type of asset, fair values are calculated using listed market prices, analysis of discounted cash flows or option pricing models.

The following methods and assumptions are used to estimate the fair value of the individual classes of financial instruments:

Cash and cash equivalents, current investments and other non-current assets

The carrying amount of cash and cash equivalents and other financial assets is approximately the fair value on account of the relatively short-term nature of these financial instruments. Where no listed market prices are available, the fair values of publicly traded financial instruments are estimated on the basis of the listed prices for assets of the same or similar type. For all other financial instruments without a listed market price there is a reasonable estimate of the fair value based on the expected cash flow or the net assets on which each asset is based.

Current loans

The carrying amount is approximately the fair value due to the short time to maturity of these financial instruments.

Non-current loans

The fair value of non-current loans is based on the listed market price for the same or similar credit features or the currently available interest rates on borrowed capital with the same maturity profile. The fair values of non-current loans and other obligations with variable interest rates very closely approximate the carrying amounts of these financial instruments.

(64) Other financial obligations

As of the balance sheet date there were obligations from long-term rental and lease agreements of € 7,107 thousand (previous year: € 6,603 thousand). € 1,985 thousand of this figure (previous year: € 1,948 thousand) is due within one year, € 5,122 thousand (previous year: € 4,454 thousand) is due within two to five years and € 0 thousand (previous year: € 201 thousand) is due after five years. The obligations essentially result from agreements for buildings, cars, IT systems and office equipment. In the past fiscal year the expenses for rental and lease agreements amounted to € 2,620 thousand (previous year: € 2,184 thousand). In addition there are contingent liabilities of € 1,001 thousand (previous year: € 0 thousand) for potential obligations from compensation claims.

(65) New IFRS/IAS standards applied voluntarily

In addition to the above IFRS standards, additional IFRS standards had been published by the IASC and become effective as of the reporting date. These standards can be applied but this is not mandatory:

- **IAS 1:** Presentation of Financial Statements – revision including the requirements to prepare a list of all income and changes in respect of disclosures for puttable instruments and obligations arising on liquidation (to be applied to fiscal years from January 1, 2009 onwards)

- **IFRS 2:** Share-based Payment – Amendment to vesting conditions and cancellations (to be applied to fiscal years from January 1, 2009 onwards)

- **IFRS 3:** Business Combinations – Comprehensive revision of the application of the purchase method (to be applied to fiscal years from July 1, 2009 onwards)

- **IFRS 8:** Operating Segments (to be applied to fiscal years from January 1, 2009 onwards)

- **IAS 23:** Borrowing Costs – Revision to prevent immediate recognition as expenses (to be applied to fiscal years from January 1, 2009 onwards)

- **IAS 27:** Consolidated and Separate Financial Statements under IFRS – Amendments subsequent to IFRS 3 (to be applied to fiscal years from July 1, 2009 onwards)

- **IAS 28:** Investments in Associates – Amendments subsequent to IFRS 3 (to be applied to fiscal years from July 1, 2009 onwards)

- **IAS 31:** Interests in Joint Ventures – Amendments subsequent to IFRS 3 (to be applied to fiscal years from July 1, 2009 onwards)

- **IAS 32:** Financial Instruments: Presentation – Amendments to disclosures for puttable instruments and obligations arising on liquidation (to be applied to fiscal years from January 01, 2009 onwards)

- **IFRIC 12:** Service Concession Arrangements (to be applied to fiscal years from January 1, 2008 onwards)

- **IFRIC 13:** Customer Loyalty Programmes (to be applied to fiscal years from July 1, 2008 onwards)

- **IFRIC 14:** IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (to be applied to fiscal years from January 01, 2008 onwards)

The Management Board does not anticipate that the adoption of these standards in future reporting periods will have any impact on the consolidated financial statements. The following standards are relevant to the consolidated financial statements:

- **IAS 1:** The revised IAS 1 requires the presentation of changes in equity resulting from gains and losses from the revaluation reserve, actuarial measurement and currency translation separately from the statement of changes in equity. In addition, the standard includes amended provisions on the presentation of retroactive adoption of accounting policies and restatements.

The Company does not exercise voluntary early adoption.

(66) Number of employees

The annual average number of employees in 2007/2008 was 301 (previous year: 276). In fiscal 2007/2008, staff costs amounted to € 28,559 thousand (previous year: € 23,374 thousand).

(67) Supplementary report

On August 21, 2008, the British company Sophos submitted an offer to acquire all shares in Utimaco Safeware AG at a price of € 14.75 per share. Following a diligent analysis of the offer documents, the Management Board and the Supervisory Board of Utimaco were convinced that the customers, employees and business as a whole would profit from a takeover by Sophos and that the counter-performance offered is appropriate for our shareholders. In the event of a takeover by Sophos, we are not anticipating any fundamental changes in our successful product strategy. The product ranges complement each other and Sophos is planning for Utimaco to form the core of a new division focusing specifically on the business area of information protection. Independently of the acceptance of the takeover bid by the shareholders, Utimaco and Sophos have concluded a reseller agreement for SafeGuard Enterprise and an agreement to mutually recommend all products of both companies.

There were no further significant events after the end of the fiscal year.

(68) Corporate governance

The Management Board and Supervisory Board of the Company have issued a declaration of conformity with the German Corporate Governance Code and made it permanently accessible to its shareholders on the Company's website.

(69) The Management Board

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

Martin Wülfert, Chief Executive Officer
Oberursel, Germany

Christian Bohne,
Member of the Management Board
Bad Homburg v.d.H., Germany
Other mandates:
Gesellschaft für IT-Sicherheit AG (GITS AG), Bochum, Germany, Chairman of the Supervisory Board

Olaf Siemens,
Member of the Management Board
(since May 1, 2008)
Kleinmachnow, Germany

Malte Pollmann,
Member of the Management Board
(since May 1, 2008)
Aachen, Germany

In the reporting period, two members of the Management Board received a total of 80,000 options in the context of share-based payments. This corresponds to a fair value of € 159 thousand.

The total remuneration paid to the Management Board in the reporting year was € 1,314 thousand (previous year: € 1,123 thousand).

In addition, a provision of € 275 thousand (previous year: € 0 thousand) was recognized for potential severance obligations. There is also a contingent liability of € 1,001 thousand on the basis of departure regulations (previous year: € 0 thousand).

There is a provision for pension claims of € 501 thousand (previous year: € 466 thousand) for two (previous year: two) former members of the Management Board. This provision is a component of the pension provision described under (46) "Pension provision".

(70) The Supervisory Board

The members of the Supervisory Board in the fiscal year were:

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

Prof. Dr. Manfred Schlottke, Munich, Germany, Deputy Chairman of the Supervisory Board
Business consultant for information and communications technology
Other mandates:
Aaereon 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, Germany
Managing Director of EMPHASYS GmbH, Heroldsberg, Germany
Other mandates:
Hessische Lotto-Treuhand GmbH, Wiesbaden, Germany, Member of Supervisory Board
Iteratec GmbH, Munich, Germany, Member of the Supervisory Board
Output AG, Nuremberg, Germany, Chairman of the Supervisory Board
MVC Mobile Video Communication GmbH, Frankfurt, Germany, Chairman of the Advisory Board
tsm total sourcing management GmbH, Nuremberg, Germany, Member of the Advisory Board

Julius L. Marcus, Davenport, USA
Business consultant

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

Georg Reisch, Sparrenberg, Switzerland
Independent businessman
Other mandates:
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, the remuneration of the Supervisory Board amounted to € 138 thousand (previous year: € 130 thousand), of which the variable component accounted for € 69 thousand (previous year: € 65 thousand).

Declaration by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Oberursel, September 24, 2008

Martin Wülfert Chief Executive Officer	Christian Bohne Chief Financial Officer	Malte Pollmann Chief Product Officer	Olaf Siemens Chief Technology 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 2007 to 30 June 2008. 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 paragraph 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.

Frankfurt am Main,
September 26, 2008

PKF Pannell Kerr Forster GmbH
Wirtschaftsprüfungsgesellschaft

signed	signed
W. Hofmann	R. Brinskelle
Public Accountant	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 June 6, 2008 was approved in the Management Board and Supervisory Board meeting of September 26, 2008 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

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

The stock option programs, which were authorized during the Annual General Meeting on November 24, 2005, and on November 27, 2007, do 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 (5.4.6 paragraph 3)**

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

- **Discussion of half-year and any quarterly financial reports between Management Board and Supervisory Board prior to publication (7.1.2 sentence 2)**

So far the Management Board does not discuss in general the half-year and any quarterly financial reports with the Supervisory Board or its Audit Committee prior to publication except for extraordinary circumstances. Utimaco Safeware does not intend to change this proceeding.

- **Interim reports shall be publicly accessible within 45 days of the end of the reporting period (7.1.2 sentence 4)**

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

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

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

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

Person obliged to notify	Reason for notification	ISIN	Financial instrument	Transaction	Date of transaction	Place	Price in €	Pieces	Value of transaction in €
Helmuth Coqui	Chairman of the Supervisory Board	DE0007572406	Share	Buy	Aug. 27, 2007	Xetra	EUR 9.55	1,000	EUR 9,550.00
Helmuth Coqui	Chairman of the Supervisory Board	DE0007572406	Share	Buy	Sept. 11, 2007	Xetra	EUR 7.99	1,000	EUR 7,990.00
Helmuth Coqui	Chairman of the Supervisory Board	DE0007572406	Share	Buy	Oct. 31, 2007	Xetra	EUR 7.51	3,000	EUR 22,539.00
Helmuth Coqui	Chairman of the Supervisory Board	DE0007572406	Share	Buy	Jan. 14, 2008	Xetra	EUR 12.20	1,500	EUR 18,300.00
Julius L. Marcus	Member of the Supervisory Board	DE0007572406	Share	Buy	Jan. 23, 2008	United States V.B.S. International Trading Desk	USD 14.4777	3,400	USD 49,224.18

Report of the Supervisory Board

Dear Shareholders,

In fiscal 2007/2008, the Supervisory Board received regular verbal and written reports from the Management Board and was informed by it comprehensively and in a timely manner of business developments and the planning of the Company and the Utimaco Safeware Group in four joint meetings and discussed key management issues with the Management Board. In doing so, the Supervisory Board advised the Management Board while also monitoring the effectiveness of the Management Board and ensured that any deviations from planning in actual business developments and the reasons for these were discussed in detail with the Management Board. Even outside meetings, the Management Board informed the Supervisory Board, including in conference calls, of the development of transactions including sales development and profitability, key transactions and other issues of particular significance, other reportable circumstances, the risk management measures implemented and business risks that had emerged. In the year under review, the work of the Supervisory Board's focused on advice on key cooperation and development projects, the business situation at the subsidiaries, the further international expansion of the Company and its ongoing strategy. Furthermore, the Management Board and the Supervisory Board discussed the plans for a takeover by Sophos plc and the rights and duties of the Management Board and the Supervisory Board arising from this in the context of the planned takeover procedure.

Composition of the Management Board and the Supervisory Board

Effective May 1, 2008, the Supervisory Board appointed Mr. Malte Pollmann (Chief Products Officer) and Mr. Olaf Siemens (Chief Technology Officer) as additional members of the Management Board.

There were no changes in the Supervisory Board in fiscal 2007/2008.

Work of the Committees

The Supervisory Board has set up an Audit Committee and a Staff Committee. The Audit Committee met once in the year under review. In particular, it dealt with the accounting for the Company and the Group and set the budget for services by the auditor.

The Staff Committee met five times in the year under review and discussed the introduction of a three-year bonus program, the implementation of the 2007 stock option program and the issue of the first tranche of the 2007 stock option program and the additions to the Management Board, the amendment of the Articles of Association and of the organizational chart of the Management Board.

The Supervisory Board as a whole was informed of the meetings held by the Committees and the results of their discussions.

Corporate governance

In fiscal 2007/2008, the Supervisory Board and the Management Board again held detailed discussion of Corporate Governance in the Company, and issued a new joint declaration of conformity with the version of the German Corporate Governance Code dated June 14, 2007 in September 2007. After the end of the fiscal year in September 2008, the Management Board and the Supervisory Board released a new declaration of conformity based on the latest version of the German Corporate Governance Code June 6, 2008. This has been published in the Corporate Governance section of the annual report and on the Utimaco website, www.utimaco.com. The Supervisory Board also again discussed the efficiency of its own work.

Annual and consolidated financial statements, audit

The annual financial statements as of June 30, 2008 prepared in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements of the Company as of June 30, 2008 prepared in accordance with the International Financial Reporting Standards (IFRS), the management report and the Group management report by the Management Board on fiscal 2007/2008 were audited and granted an unrestricted audit opinion by the auditors elected by the Annual General Meeting and commissioned by the Supervisory Board, PKF Pannell Kerr Forster GmbH.

On the basis of appropriate preparatory work by the Audit Committee, the Supervisory Board reviewed the annual and consolidated financial statements, management report and Group management report on fiscal 2007/2008 prepared by the Management Board and the proposal of the Management Board to the Annual General Meeting on the appropriation of the net retained profits. The two responsible auditors from the audit company participated in the audit and the discussion. They gave the Supervisory Board a verbal report of the key findings of the audit. The Supervisory Board discussed the above documents and the findings of the auditors with the representatives of the audit company and the Management Board. Following its final review, the Supervisory Board raised no objections to the annual financial statements, the management report, the consolidated financial statements or the Group management report for fiscal 2007/2008 and acknowledged and agreed with the findings of the audit.

The Supervisory Board approved and thereby adopted the annual and consolidated financial statements as of June 30, 2008 prepared by the Management Board. The Supervisory Board also approved the management report for fiscal 2007/2008.

The Supervisory Board also approved the proposal on the appropriation of net profit of the Management Board to transfer an amount of € 6,000 thousand of the net income for the year generated in fiscal 2007/2008 of € 12,000 thousand to the other earnings reserves and to distribute an amount of € 2,212 thousand from the remaining net profit by paying a dividend of € 0.15 per share to the shareholders.

The disclosures required in line with sections 289 (4), 315 (4) HGB (German Takeover Directive Implementation Act) can be found in the annual report on pages 31 and 32. The Supervisory Board has reviewed these disclosure and information, which it considers to be complete, and concurs.

The Supervisory Board wishes to thank the Management Board and the employees of the Utimaco Group in Germany and abroad for their successful work and commitment in the fiscal year.

Oberursel, September 2008

For the Supervisory Board

Helmuth Coqui
Chairman

Financial Calendar

Event	Date
Report for the first quarter 2008/2009	November 2008
Annual General Meeting for the FY 2007/2008	November 19, 2008
Report for the first six months 2008/2009	February 2009
Report for the first nine months 2008/2009	May 2009
Result of 2008/2009	September 2009

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