



Utimaco Safeware AG

Report on the first nine Months
of the Business Year

2003/2004

(July 2003 to March 2004)

Key Figures at a Glance

Key Figures at a Glance

Kennzahlen im Überblick Key figures at a glance

	Q3 2003/2004 Euro '000	Q3 2002/2003 Euro '000	9 months 2003/2004 Euro '000	9 months 2002/2003 Euro '000
Umsatz Sales	6.085	5.963	19.715	19.083
Herstellungskosten Cost of sales	-1.420	-1.399	-3.803	-4.934
EBITDA	418	405	2.744	524
EBIT	277	229	2.312	-71
Jahresüberschuss Net income	147	230	1.433	-57
Ergebnis nach DVFA DVFA result	233	-285	1.747	-295
EPS nach IAS (unverwässert) EPS according to IAS (basic)	0,01	0,04	0,13	-0,01
EPS nach IAS (verwässert) EPS according to IAS (diluted)	0,01	0,03	0,11	-0,01
Cash Flow aus betrieblicher Tätigkeit Operating cash flow	2.393	895 *	4.050	-146 *
Bilanzsumme Total assets	27.401	17.217 **	27.401	17.217 **
Eigenkapital Equity	18.112	6.303 **	18.112	6.303 **
Mitarbeiter (31.03.04) Employees (Dec 31, 2003)	203	211	203	211
Aktienanzahl gewichtet (unverwässert) Weighted average number of shares (basic)	13.037.365	6.227.243	11.177.975	6.227.243
Aktienanzahl gewichtet (verwässert) Weighted average number of shares (diluted)	14.745.449	6.819.396	12.801.645	6.490.421

* Zahlen der Vorjahresperiode wurden zu Vergleichszwecken angepaßt
Figures of the previous period have been adapted for comparison purposes

** Zahlen zum Stichtag 30. Juni 2003
Figures at the record date June 30, 2003

Foreword by the Management Board

Dear shareholders and business friends,

dear staff,

Utimaco Safeware's business development has proceeded according to plan in the third quarter of this year (January to March), building on the sustainable and stable profits situation created in the business year 2003/2004. After nine months (July 2003 to March 2004) the company has achieved a small growth in revenues of 3 %, up to € 19.7 million, but a clear improvement in the operating result (EBIT) to € 2.3 million (previous year: € -71,000). The EBIT margin equalled 12 % (previous year: 0 %) after nine months. Our highly-profitable license sales increased by around 30 % compared to the same period in the previous year. In contrast, revenues from third-party hardware products (smartcards and smartcard readers) were reduced by around 67%, according to plan.

In the third quarter of 2003/2004 the company Investcorp, which has approximately a 19 % holding in Utimaco Safeware AG, exercised 521,000 subscription rights from its convertible option bond 2003. The shares acquired as a result were placed at two investment funds by Investcorp. We are pleased to see that our company is now also once again attractive to institutional investors.

Our Persona Device Security division achieved a great success in Scandinavia in the third quarter, with its security solutions for Secure Mobile Computing. The company AGA Gas AB, part of the international technology group Linde, will secure more than 1000 notebooks with our solutions in Sweden, Norway, Finland, and the Baltic countries. In the Transaction Security division we have gained another important reference customer for the SecurE-Mail Gateway, our security solution for central encrypting and digitally signing e-mails, in the form of Sparda Datenverarbeitung. At CeBIT this division presented the new Microsoft CSP (Cryptographic Service Provider) for the security module CryptoServer which provides central cryptographic services for the Microsoft PKI .

We are on the right path to achieving our revenue and results targets according to plan. Our focus continues to lie on implementing our strategy, and improving our operational excellence in all company divisions, in order to leave us ideally placed to gain maximum benefit from increased growth.

Oberursel, May 2004

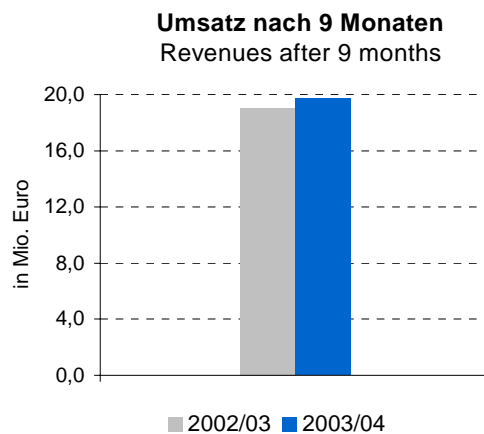
The Management Board

Explanations of the Results for the first nine Months 2003/2004

(July 2003 - March 2004)

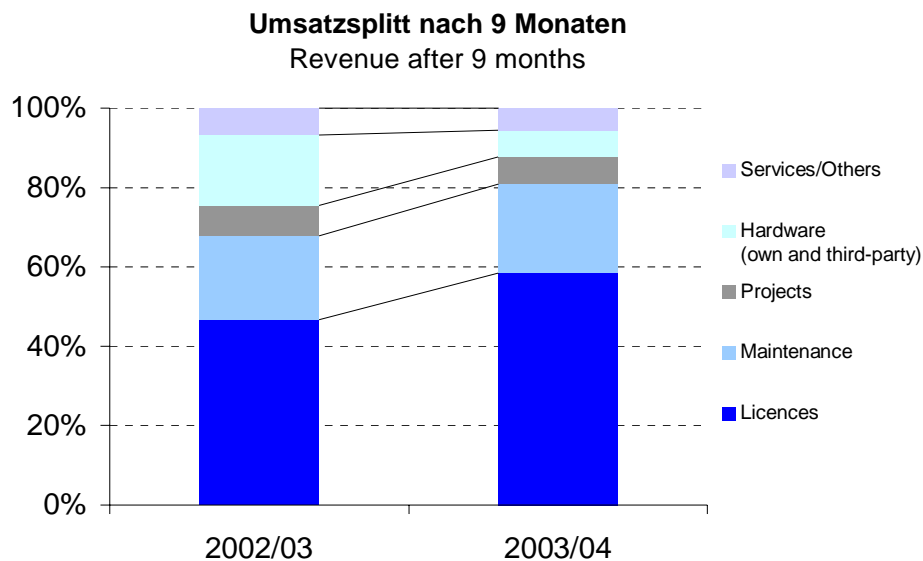
Revenue Development

After the first nine months of the current business year, revenues of € 19.7 million (previous year: € 19.1 million) were achieved. This corresponds to a growth in revenues of 3.3% compared to the same period in the previous year. The revenues generated in the domestic market (Germany) after the first nine months contributed 60% (previous year: 44%) to total revenues.



By consistently focussing on our core business with software products and solutions we increased our highly-profitable license sales in total by 29.6% in the first nine months, compared to the same period in the previous year.

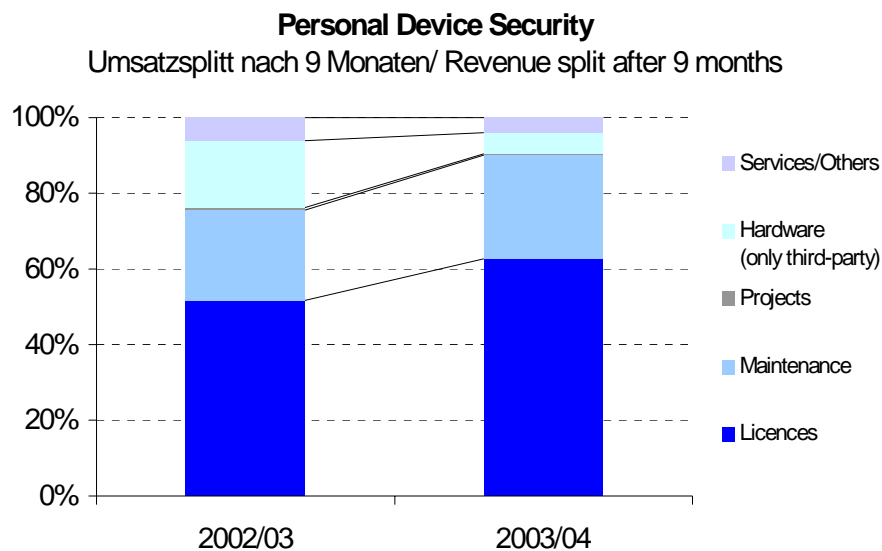
The proportion of total revenues arising from license sales and the resulting revenues with maintenance contracts increased in the first nine months to 80.9% (previous year: 67.8%). Due to the reduction of business with third party hardware products (smartcards and smartcard reader) according to plan, the proportion of total revenues arising from hardware business fell to 6.8% (previous year: 17.8%).



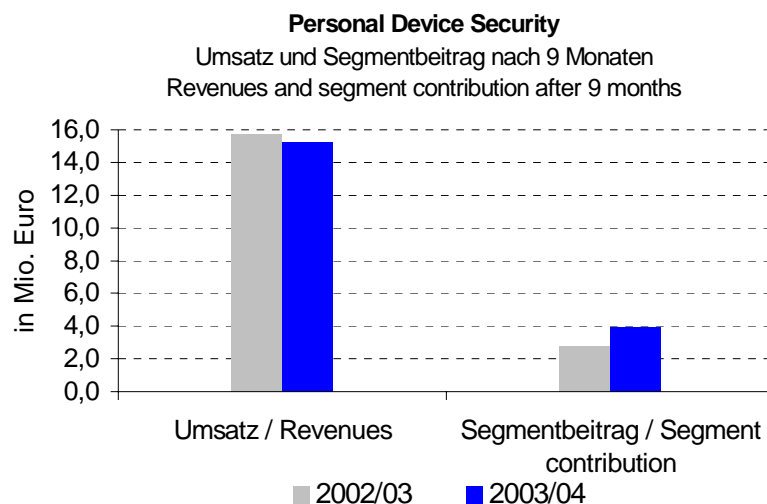
Personal Device Security Division: Revenue and Segment Contribution

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

After the first nine months of the current business year this division achieved revenues worth € 15.2 million (previous year: € 15.7 million). By consistently focussing on software license sales, the proportion of total revenues resulting from license sales, and the resulting revenues with maintenance contracts increased considerably to 90.1% (previous year: 75.6%). The proportion of total turnover raised by third-party hardware sales was reduced to 5.7% (previous year: 17.7%).



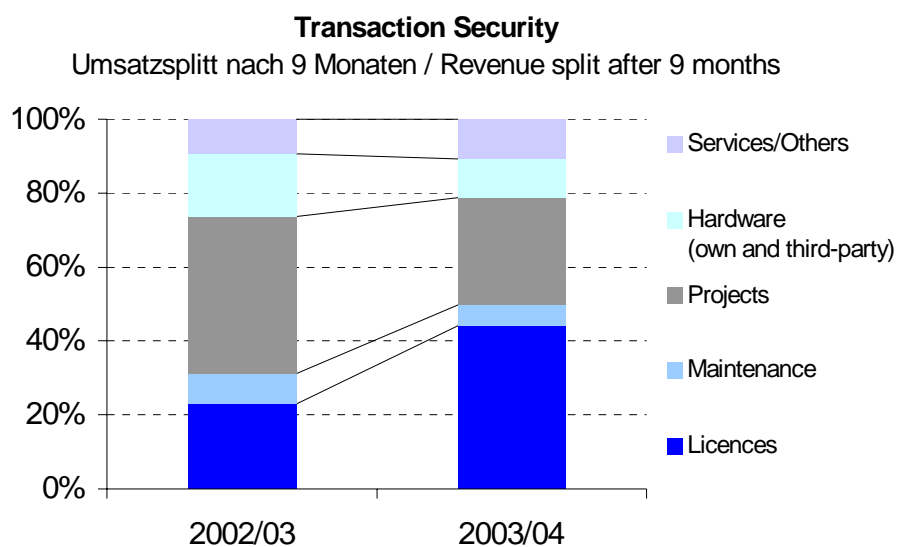
This division contributed € 4.0 million (previous year: € 2.8 million) to the operating result (segment contribution). Due to the increase in our highly-profitable license sales by 17.2% the segment result was able to improve by 43.3% compared to the same period in the previous year despite revenues remaining at previous year's level.



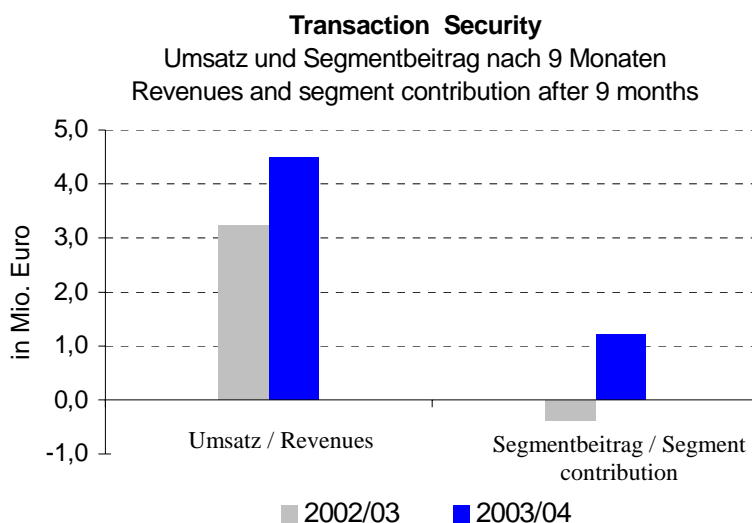
Transaction Security Division: Revenue and Segment Contribution

The Transaction Security division pursues a project-oriented approach and develops customer-specific security solutions based on its own technology platforms for reliable digital business processes.

After the first nine months of the current business year this division achieved revenues of € 4.9 million including internal revenues of € 0.4 million (previous year: € 3.7 million, including internal revenues of € 0.5 million). The increase in revenue share by license sales to 44.2% (previous year: 22.9%), resulted from several large orders, involving many licenses, which it was possible to fill in the first quarter of the current business year.



The Transaction Security division contributed € 1.2 million (previous year: € -0.4 million) to the operating result (segment contribution). The clear improvement in the result after nine months was due to further reductions in operating costs in this division, and simultaneous revenue growth.



Developments in Costs and Results

After nine months a gross profit on sales worth €15.9 million (previous year: €14.1 million) was achieved. The gross margin increased to 80.7% from 74.1% in the same period in the previous year.

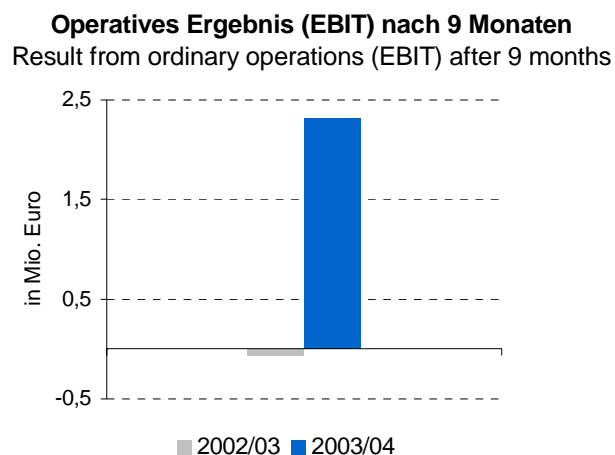
The operational costs equalled (sales and marketing costs, research and development costs, and general administration expenses) € 13.6 million (previous year: €14.5 million).

Sales and Marketing costs amounted to €7.4 million (previous year: €8.4 million) in the first nine months. Sales and Marketing costs equalled 37.4% of revenues (previous year: 44.1%).

Research and Development costs equalled €3.0 million (previous year: € 3.2 million). Consequently, 15.3% (previous year: 16.8%) of the revenue achieved was spent on Research and Development.

General administration costs equalled €3.2 million (previous year: €2.9 million), or 16.1% (previous year: 15.1%) of revenues. They include costs of €0.1 million for issuing the convertible option bond. The costs of €0.4 million for the capital increase were offset against the capital reserves in accordance with IAS.

After nine months an operating profit (EBIT) of € 2.3 million (previous year: € -71,000) was achieved. The EBIT margin equalled 11.7% (previous year: -0.4%).



The result after tax (EAT) equalled € 1.4 million (previous year: € -0.1 million) after nine months. The undiluted result per share in accordance with IAS therefore equalled € 0.13 (previous year: € -0.01) after nine months. The diluted result per share in accordance with IAS equalled € 0.11 (previous year: € -0.01).

After nine months the result in accordance with DVFA equalled € 1.7 million (previous year: € -0.3 million).

Notes on Selected Balance Sheet Items

In the first quarter of the current business year we carried out a financing package consisting of an increase in cash capital and a convertible option bond. This finance package was approved by the share-holders on the 1st August 2003 at an extraordinary general meeting. It was possible to increase the company's capital stock by € 6,227,243.00 by issuing 6,227,243 individual share certificates at an issue price of €1.40 and an acquisition ratio of 1:1, which were all placed in the capital market. This resulted in an increase in the company's cash capital of €8.7 million. An additional €3.4 million were generated through the issuing of the convertible option bond to Investcorp Technology Ventures L.P. (convertible option bond 2003). In total, the company gained liquid assets worth €12.1 million as a result of the finance package.

In the second quarter the company's 37.2% shareholding in Omnikey AG, Wiesbaden, Germany, was sold to the Swedish Assa Abloy group. This also involved the repayment by Omnikey AG of the shareholder loan made to that company. In total Utimaco Safeware gained €3.4 million from the sale of the Omnikey shares.

In the first quarter of the current business year Utimaco Safeware paid off all its obligations to banks, totalling € 1.1 million, and in the second quarter it completely amortised the remaining interest-bearing loans. The loan of €0.55 million from the Horst Görtz foundation was paid back, as was the convertible option bond, worth €3.4 million. On the other hand, Utimaco Safeware has made contractual arrangements, consisting of a separate loan framework agreement with Investcorp Technology Venture L.P, to secure for itself a long-term, commission-free credit line worth €2.6 million, with attractive interest rates. MBG Hessen's dormant equity holding, worth €0.8 million, was converted into shares in Utimaco Safeware in accordance with MBG Hessen's contractual options in the second quarter.

In the third quarter, Investcorp Technology Ventures L.P. exercised 521,000 subscription rights from its convertible option bond 2003, and placed the shares acquired at two investment funds.

By 31st March 2004, Utimaco Safeware has available considerable financial resources, consisting of cash and cash equivalents worth € 17.0 million, plus a long-term credit line worth €2.6 million.

The implementation of recent financing packages has led to a fundamental change in the structure of the balance sheet. Utimaco Safeware's balance sheet total was €27.4 million on 31st March 2004, a considerable increase of €10.2 million compared to the balance sheet total on 30th June 2003.

Equity capital increased in the reporting period from €6.3 to €18.1 million. This increase resulted from the increase in cash capital, worth €8.7 million, reduced by the cost of issue of €0.4 million, the equity ratio from the convertible option bond (€0.4 million), the capital increase resulting from the conversion of the dormant equity holding (€0.8 million), the capital increase resulting from the partial conversion of the convertible option bond 2003, worth €0.9 million, and the period surplus worth €1.4 million.

Utimaco Safeware's capital stock equalled € 13,546,914.00 on 31st March 2004 and the equity ratio equalled 66% (on 30th June 2003: 37%).

Cash Flow

In the first nine months a positive operating cashflow of € 4.1 million (previous year: € -0.1 million) was achieved. Additionally a cash surplus of € 3.2 million was generated from investments, due to the sale of the company's Omnikey shares. The company gained further liquid assets worth € 7.5 million (previous year: € 0.4 million) as a result of financing. In total, liquid assets increased by € 14.8 million (previous year: € 0.7 million) to € 17.0 million (30th June 2003: € 2.3 million) in the reporting period.

Research and Development

In the current financial year, in addition to the on-going modification and improvement of its existing products, Utimaco Safeware is concentrating its research and development activities on extending its product portfolio in the direction of Secure Mobile Computing, and on actively participating in setting up the "trusted computing" architecture in co-operation with leading international IT companies such as Microsoft, Intel, IBM, HP and AMD. The basis for "Trusted Computing" is a new security chip (the "Trusted Platform Module") that acts as a secure base for supplementary security software functions.

With the release of the new generation of SafeGuard LAN Crypt, in August 2003, we now offer our customer an encryption software that they can already use with the new TCG technology. Using SafeGuard LAN Crypt, working groups or departments with sensitive working areas can protect their shared folders or individual sensitive files against unauthorised access by other users, including system administrators, both locally and on network servers. As a result, there is no danger in outsourcing administration and maintenance to external service providers as they have no way to view the encrypted data.

We released a new module for our SafeGuard Advanced Security security software in December 2003, providing our customers with a security solution for protecting against unauthorised data import and export via Plug and Play hardware such as USB Memory Sticks. These hardware devices are easy to connect to the USB port interface and represent a considerable security risk if their use is not controlled. With the new release of SafeGuard PDA, which was also launched at the end of the second quarter, devices that use the Windows Mobile 2003 operating system platform can now also be protected against unauthorised access.

The Transaction Security division released the Microsoft CSP (cryptographic service provider) for the security module CryptoServer at CeBIT 2004, making an additional module for security infrastructure solutions based on the Microsoft PKI available. This enables the secure storage of the secret keys generated by Certificate Authorities (CAs) based on the Microsoft PKI on the CryptoServer. In addition, the high-performance cryptography services and algorithms for encryption and digital signature provided by CryptoServer are made available to the Microsoft PKI, both locally and on networks. Due to CryptoServer's novel service-oriented design, several Microsoft PKIs and applications on a network can access a single CryptoServer and use the required services on it. This provides cost-effective security and maintenance for certificate services in distributed Microsoft environments. The CryptoServer is part of the Transaction Security division's base technologies. It is used in the division's own projects (for example, for lottery operators) and also as an OEM by partners such as Bank-Verlag GmbH, Atos,

Siemens and Mitsubishi Heavy Industries in their own applications. For example, Mitsubishi Heavy Industries in Singapore uses over 350 CryptoServers to protect a toll system and also for recording parking charges in car parks.

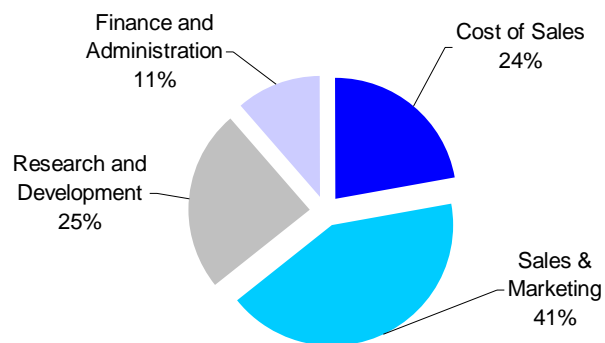
Investments

In the first nine months, capital spending on replacement was worth €0.354 million.

Staff

On the 31st March 2004, Utimaco Safeware employed 203 staff (previous year: 211 staff). On the report record day, 64% of these staff were active in the domestic market (Germany), previous year: 64%, and 36% were active outside Germany (previous year: 36%).

Mitarbeiter nach Bereichen
Employees by area

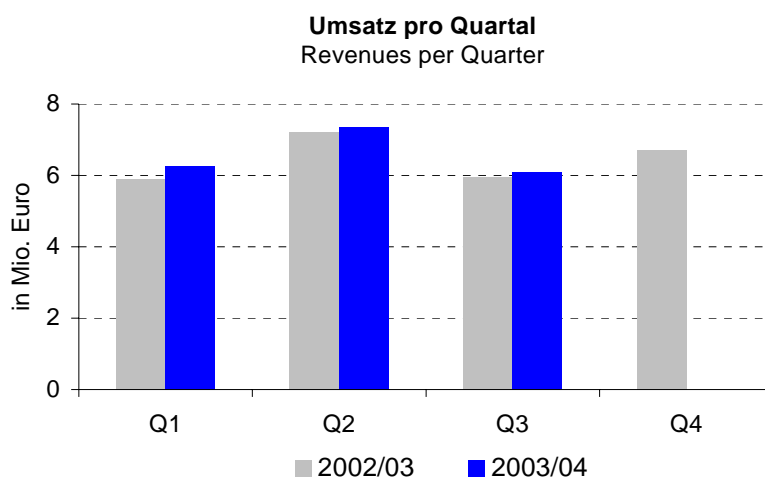


Explanation of the Results for the 3rd Quarter 2003/2004

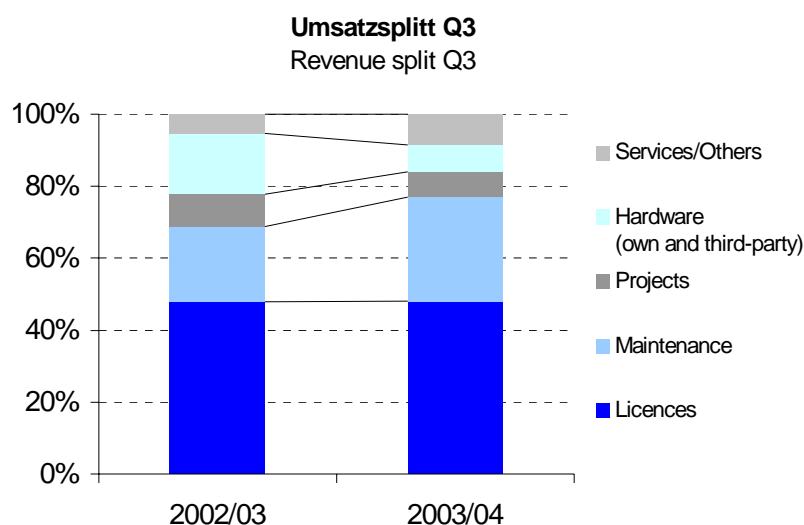
(January to March 2004)

Revenue Development

In the seasonally weak third quarter of our business year revenues of €6.1 million (previous year: € 6.0 million) were achieved. The revenues generated in the domestic market (Germany) contributed 49% (previous year: 46%) to total revenues in the third quarter.



Our highly-profitable license sales increased by 2.1% in the third quarter, compared to the same quarter in the previous year. The proportion of total revenues arising from license sales and the resulting revenues with maintenance contracts increased in the quarter being reported to 77.1% (previous year: 68.9%). In the third quarter revenues from third-party hardware sales (smartcards and smartcard reader) were reduced by 52,5%. The proportion of total revenues arising from our hardware business (own and third-party products) therefore fell to 7.4% (previous year 17.1%).

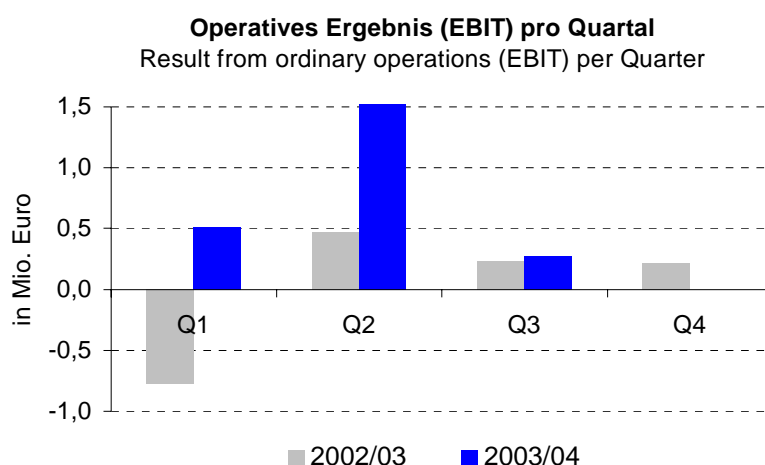


Developments in Costs and Results

In the third quarter the gross profit on sales equalled € 4.7 million (previous year: € 4.6 million) with a gross margin of 76.7% (previous year: 76.6%).

The operational costs (sales and marketing costs, research and development costs, and general administration expenses) of € 4.4 million were slightly under the previous year's € 4.9 million.

In the third quarter an operating profit (EBIT) of € 0.3 million (previous year: € 0.2 million) was achieved. The EBIT margin equalled 4.6% (previous year: 3.8%).



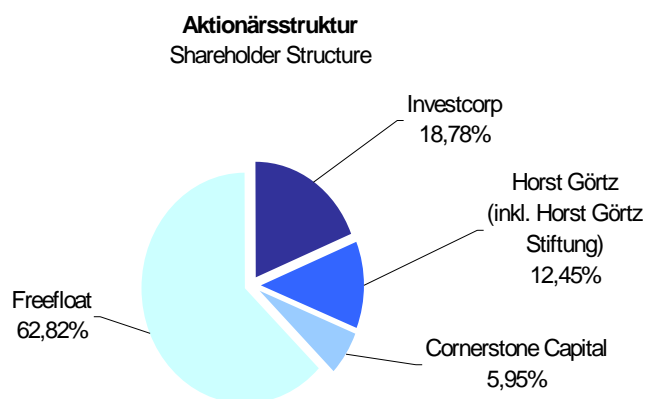
The result after tax (EAT) equalled € 0.1 million (previous year: € 0.2 million) in the third quarter). The undiluted result per share in accordance with IAS therefore equalled € 0.01 (previous year: € 0.04). The diluted result per share in accordance with IAS equalled € 0.01 (previous year: € 0.03).

In the third quarter, the result in accordance with DVFA equalled € 0.2 million (previous year: € -0.3 million).

Shareholder Structure, Shareholdings and Option Stocks as of March 31, 2004

Shareholder Structure

In the third quarter of 2003/2004 the company Investcorp Technology Ventures L.P. exercised 521,000 subscription rights from its convertible option bond 2003. The shares acquired as a result were placed at two investment funds by Investcorp Technology Ventures L.P.. Investcorp is the largest individual shareholder in the company with a 18.78% share-holding. Horst Görtz, with the Horst Görtz foundation, holds 12.45% of the shares in Utimaco Safeware, in total. Cornerstone Capital, the private equity house, owns 5.95% of the company's shares.



Shareholdings and Option Stocks by Directors and Supervisory Board

On the reporting date, 31st March 2004, the shareholdings and option stocks of board members and members of the Supervisory Board, in accordance with § 22 WpHG, were as follows:

	<u>Shareholdings</u> in accordance with § 22 WpHG March 31, 2004	<u>Option stocks</u> from 2003 convertible option bond on March 31, 2004
Directors		
Martin Wülfert	4,000	150,000
Christian Bohne	50,000	150,000
Supervisory board		
Horst Görtz (incl. shares held by Horst Görtz foundation)	1,686,974	
Helmuth Coqui	2,000	
Geralt Goder	15,000	
Hazem Ben-Gacem	0	
Dr. Manfred Schlotke	0	
Bernd Schroeder	25,000	

In the third quarter Utimaco Safeware acquired a total of 300,000 options from the Investcorp Technology Ventures L.P. convertible option bond 2003 and transferred them to members of the Utimaco Safeware Board of Directors.

Outlook

In the current financial year, we intend to concentrate on continuing the consistent implementation of our strategy, as before, in order to prepare the company for future growth in an improved economic environment.

We expect our revenue level to equal that of the previous year, in 2003/2004. Due to the growth in our license sales after the first nine months we currently expect to achieve a considerable improvement in our operating result for the year as a whole, when compared to the previous year. Therefore we adhere to the increased EBIT margin forecast of around 10% for the entire year, stated in our six months report.

Konzern Gewinn- und Verlustrechnung nach IAS

Income Statement according to IAS

	Q3 FJ 2003/04 Euro '000	Q3 FJ 2002/03 Euro '000	9 months FJ 2003/04 Euro '000	9 months FJ 2002/03 Euro '000
Umsatzerlöse Sales	6.085	5.963	19.715	19.083
Herstellkosten der zur Erzielung der Umsatzerlöse erbrachten Leistung Cost of sales	-1.420	-1.399	-3.803	-4.934
Bruttoergebnis vom Umsatz Gross profit on sales	4.665	4.564	15.912	14.148
Vertriebs- und Marketingkosten Sales and marketing costs	-2.502	-2.731	-7.382	-8.420
Forschungs- und Entwicklungskosten R&D costs	-1.005	-1.092	-3.015	-3.197
Allgemeine Verwaltungskosten General administrative costs	-939	-1.069	-3.178	-2.872
Summe operative Kosten Total operating costs	-4.445	-4.892	-13.576	-14.489
Firmenwertabschreibung aus Aquisitionen Goodwill amortisation from acquisitions	-64	-65	-192	-194
Sonstige betriebliche Erträge/ Aufwendungen, netto Other operating income/ expenditure, net	122	622	168	463
Ergebnis der betrieblichen Tätigkeit Result from ordinary operations	277	229	2.312	-71
Erträge aus assoziierten Unternehmen Income from affiliated companies	0	0	0	50
Finanzergebnis Financial result	57	-14	17	-81
Ergebnis vor Steuern Earnings before taxes	334	215	2.329	-102
Steuern vom Einkommen und vom Ertrag Taxes on income	-187	14	-897	44
Ergebnis nach Steuern Earnings after taxes	147	229	1.433	-58
Anteile Dritter am Ergebnis Minority interests	0	0	0	1
Jahresüberschuss/Fehlbetrag Net income/net loss	147	230	1.433	-57
Ergebnis je Aktie nach IAS (unverwässert) in Euro Earnings per share according to IAS (basic) in Euro	0,01	0,04	0,13	-0,01
Ergebnis je Aktie nach IAS (verwässert) in Euro Earnings per share according to IAS (diluted) in Euro	0,01	0,03	0,11	-0,01
Aktienanzahl gewichtet (unverwässert) Weighted average number of shares (basic)	13.037.365	6.227.243	11.177.975	6.227.243
Aktienanzahl gewichtet (verwässert) Weighted average number of shares (diluted)	14.745.449	6.819.396	12.801.645	6.490.421

Konzernbilanz nach IAS

Consolidated Balance Sheet according to IAS

Aktiva / Assets

Vermögenswerte	31. Mrz 04	30. Jun 03
Assets	Euro `000	Euro `000
Kurzfristige Vermögenswerte		
Short-term assets		
Zahlungsmittel	17.046	2.282
Cash and cash equivalents		
Forderungen aus Lieferungen und Leistungen, netto	4.918	5.430
Accounts receivable		
Vorräte	315	348
Inventories		
Sonstige kurzfristige Vermögenswerte	680	3.555
Other short-term assets		
Summe kurzfristige Vermögenswerte	22.959	11.614
Short-term assets		
Langfristige Vermögenswerte		
Long-term assets		
Langfristige Forderungen	0	0
Long-term accounts receivable		
Langfristige Finanzanlagen	38	458
Long-term financial assets		
Anteile und Anzahlungen auf Anteile an assoziierten Unternehmen	0	0
Shares and payments for shares in associates		
Sachanlagen	558	396
Property, plant and equipment		
Immaterielle Vermögenswerte	1.522	1.761
Intangible assets		
Latente Steueransprüche	907	1.692
Deferred taxes		
Sonstige langfristige Vermögenswerte	1.417	1.295
Other long-term assets		
Summe langfristige Vermögenswerte	4.442	5.603
Long-term assets		
Summe Vermögenswerte	27.401	17.217
Total assets		

Konzernbilanz nach IAS

Consolidated Balance Sheet according to IAS

Passiva / Liabilities and shareholder assets

Verbindlichkeiten und Eigenkapital Liabilities and shareholders' equity	31. Mrz 04 Euro `000	30. Jun 03 Euro `000
Kurzfristige Verbindlichkeiten Short-term liabilities		
Verbindlichkeiten gegenüber Kreditinstituten Liabilities due to banks	0	1.073
Verbindlichkeiten aus Lieferungen und Leistungen Trade payables	989	1.110
Erhaltene Anzahlungen Prepayments received	371	231
Sonstige Verbindlichkeiten Other liabilities	1.897	2.148
Verbindlichkeiten aus Ertragsteuern Liabilities on taxes on income	0	0
Steuerrückstellungen Tax accruals	141	53
Rückstellungen Other accruals	934	849
Passiver Rechnungsabgrenzungsposten Deferred income	3.816	2.992
Summe kurzfristige Verbindlichkeiten Short-term liabilities	8.148	8.455
Langfristige Verbindlichkeiten Long-term liabilities		
Verbindlichkeiten gegenüber Kreditinstituten Liabilities due to banks	40	0
Langfristige verzinsliche Darlehen – abzüglich des kurzfristigen Teils Long-term interest loan, less the short-term part	0	1.350
Latente Steuern Deferred taxes	39	39
Rückstellungen für Pensionen Pension accruals	1.061	1.070
Summe langfristige Verbindlichkeiten Long-term liabilities	1.141	2.459
Minderheitenanteile Minority interest	0	0
Einlage zur Durchführung einer beschlossenen Kapitalerhöhung Deposits for the transaction of a decided capital increase	0	0
Eigenkapital Shareholders' equity		
Gezeichnetes Kapital Share capital	13.547	6.227
Rücklagen Capital reserve	30.908	27.839
Ausgleichsposten für Währungsumrechnung Adjustment item for minority interests/ foreign currency translation	197	208
Bilanzgewinn/-verlust Retained earnings	-26.539	-27.972
Summe Eigenkapital Shareholders' equity	18.112	6.303
Summe Total liabilities and shareholders' equity	27.401	17.217

Kapitalflussrechnung nach IAS

Cash-Flow Statement according to IAS

	Q3 2003/2004 Euro '000	Q3 2002/2003 Euro '000	9 months 2003/2004 Euro '000	9 months 2002/2003 Euro '000
Cash-Flow aus betrieblicher Tätigkeit Cash flow from operating activities				
Ergebnis vor Ertragsteuern und Anteilen anderer am Ergebnis Net income before taxes on income	334	215	2.329	-102
Korrekturen des Jahresergebnisses zur Überleitung auf den Zahlungsstrom aus betrieblicher Tätigkeit Adjustments to reconcile net income/net loss for the year to the cash flow from operating activities				
- Anpassung Firmenwert Kryptokom - Adjustment on Goodwill	0	0	0	-205
- Abschreibungen auf Sachanlagen und immaterielle Vermögensgegenstände - Depreciation on property, plant and equipment and intangible assets	76	124	240	402
- Abschreibungen Firmenwert - Depreciation on goodwill	64	52	192	194
- Abschreibungen auf Finanzanlagen - Depreciation on financial assets	1	34	6	79
- Veränderung der Pensionsrückstellungen - Change in pension accruals	-3	-3	-8	-3
- Veränderung anderer zahlungsunwirksamer Posten - Change in other not-cash items	-212	32	-123	344
- Zahlungsunwirksamer Zinsaufwand/ -ertrag aus Finanzinstrumenten - Non-cash interest expenses / income from financial instruments	0	0	97	0
- Zinserträge/Zinsaufwendungen - Interest income / expenses	-58	4	50	27
Zwischensumme Subtotal	203	459	2.783	735
Veränderung der Aktiva und Passiva: Changes in assets and liabilities				
- Veränderung der Vorräte - Change in inventories	-26	97	33	66
- Veränderung der Forderungen, sonstigen Vermögensgegenstände und aktiver Rechnungsabgrenzungsposten - Change in accounts receivable, other assets and deferred income	2.395	1.812	895	2.918
- Veränderung der kurzfristigen Steuerverbindlichkeiten/Forderungen - Change in short-term tax liabilities / accounts receivable	-123	11	-137	19
- Veränderung der Verbindlichkeiten, kurzfristigen Rückstellungen und passiven Rechnungsabgrenzungsposten - Change in short-term liabilities, short term accruals and deferred expenses	-55	-1.484	475	-3.885
Zahlungsmittelsaldo aus betrieblicher Tätigkeit Net cash flow from operating activities	2.393	895	4.050	-146
Cash-Flow aus dem Investitionsbereich Cash flow from investment activities				
- Investitionen in Sachanlagen und immaterielle Vermögensgegenstände - Change in property, plant and equipment and intangible assets	-160	-17	-354	95
- Erlöse aus dem Verkauf von Betriebs- und Geschäftsausstattung - Proceeds of fixtures, furniture and office equipment	0	0	0	0
- Veränderung der Finanzanlagen - Change in financial assets	-1	235	3.391	360
- Zahlungsunwirksame Veränderung von Wertpapieren des Umlaufvermögens - Change in non-cash securities classified as fixed assets	0	0	0	0
- Zinseinnahmen - Interest receipts	70	7	164	44
Zahlungsmittelsaldo aus Investitionstätigkeit Net cash flow from investment activities	-91	225	3.201	500
Cash-Flow aus dem Finanzierungsbereich Cash flow from financing activities				
- Einzahlung aus stiller Beteiligung - Payments received from dormant equity holdings	0	0	0	800
- Wandlung Stille Beteiligung in Anteile - Conversion of dormant equity into shares	0	0	-800	0
- Veränderung der Bankverbindlichkeiten - Changes in obligations to banks	40	-268	-1.033	-283
- Rückzahlung langfristiger Darlehen - Repayment of long term borrowing	0	0	-550	0
- Zinsausgaben - Interest payments	-3	-28	-109	-132
- Kapitalerhöhungen (saldiert mit Kosten der Kapitalerhöhung) - Capital increases (reduced by issue costs of capital increase)	928	0	10.006	0
Zahlungsmittelsaldo aus Finanzierungstätigkeit Net cash flow from financing activities	965	-296	7.514	385
Zunahme/Abnahme der liquiden Mittel Increase/decrease in cash and cash equivalents	3.268	824	14.765	738
Liquide Mittel zu Beginn des Geschäftsjahres/Quartals Cash and cash equivalents beginning of the fiscal year/quarter	13.778	1.856	2.282	1.942
Liquide Mittel am Ende des Geschäftsjahres/Quartal Cash and cash equivalents at year-end/quarter-end	17.046	2.680	17.046	2.680

Konzern-Eigenkapitalgliederung nach IAS zum 31. März 2004

Consolidated Changes in Equity according to IAS as of March 31, 2004

	Ausgegebene Aktien		Kapitalrücklage	Ausgleichsposten Währungsumrechnung	Bilanzgewinn	Summe Eigenkapital
	Ordinary shares issued		Capital reserve	Adjustment item for currency translation	Retained earnings	Total equity
	Anzahl/Number	EURO	EURO	EURO	EURO	EURO
Stand 30. Juni 2001	5.652.594	5.652.594	26.807.941	111.236	-13.429.516	19.142.255
Balance June 30, 2001						
Kapitalerhöhung vom 6. Februar 2002	561.749	561.749	786.449			1.348.198
Capital increase as of February 6, 2002						
Jahresfehlbetrag					-14.655.043	-14.655.043
Net loss for the year						
Ausgleichsposten Währungsumrechnung				33.242		33.242
Adjustment item for currency translation						
Stand 30. Juni 2002	6.214.343	6.214.343	27.594.390	144.478	-28.084.559	5.868.652
Balance June 30, 2002						
Erwerb eigene Anteile	12.900	12.900	245.100			258.000
Disposal of own shares						
Jahresüberschuß					112.392	112.392
Net income for the year						
Ausgleichsposten Währungsumrechnung				63.917		63.917
Adjustment item for currency translation						
Stand 30. Juni 2003	6.227.243	6.227.243	27.839.490	208.395	-27.972.166	6.302.962
Balance June 30, 2003						
Kapitalerhöhung vom 5. September 2003	6.227.243	6.227.243	2.490.897			8.718.140
Capital increase as of September 5, 2003						
Emissionskosten der Kapitalerhöhung			-384.159			-384.159
Issue costs of the capital increase						
Kapitalerhöhung durch Optionsausübung	1.092.428	1.092.428	579.272			1.671.700
Capital increase from options exercise						
Eigenkapitalanteil aus Optionsanleihe			382.332			382.332
Own capital share from option bond						
Jahresüberschuß					1.432.692	1.432.692
Net income for the year						
Ausgleichsposten Währungsumrechnung				-11.328		-11.328
Adjustment item for currency translation						
Stand 31. März 2004	13.546.914	13.546.914	30.907.832	197.067	-26.539.474	18.112.339
Balance March 31, 2004						

Segementergebnis

Segment Results (Lines of Business)

3rd Quarter 2003/2004

in KEUR	Personal Device Security			Transaction Security			Eliminierung/Allgemein Eliminiat ion/General			Summe Total				
	Q3 03/04	Vorjahr	PY	Q3 03/04	Vorjahr	PY	Q3 03/04	Vorjahr	PY	Q3 03/04	Vorjahr	PY		
Externe Erträge External revenue	4.770		4.674		1.315		1.289				6.085		5.963	
Erträge zwischen Segmenten Revenues between segments	0		0		139		204		-139		-204		0	
Gesamterträge Total sales	4.770		4.674		1.453		1.493		-139		-204		6.085	
Wareneinsatz Cost of material		-391		-659		-299		-174		139		204		-552
Abschreibungen Depreciations		-40		-56		-85		-100		-15		-22		-140
Operative Kosten Operating costs		-3.405		-3.483		-963		-1.043		-870		-1.022		-5.238
Segmentbeitrag Segment contribution	934		475		106		177		-885		-1.045		155	
Sonstige betriebliche Erträge/Aufwendungen, netto Other operating income/expenditure, net														122
Ergebnis der betrieblichen Tätigkeit Result from ordinary operations														277

9 Months 2003/2004

in KEUR	Personal Device Security			Transaction Security			Eliminierung/Allgemein Eliminiat ion/General			Summe Total				
	9 months 03/04	Vorjahr	PY	9 months 03/04	Vorjahr	PY	9 months 03/04	Vorjahr	PY	9 months 3/04	Vorjahr	PY		
Externe Erträge External revenue	15.218		15.713		4.497		3.232		0		138		19.715	
Erträge zwischen Segmenten Revenues between segments	0		0		370		476		-370		-476		0	
Gesamterträge Total sales	15.218		15.713		4.867		3.708		-370		-338		19.715	
Wareneinsatz Cost of material		-1.177		-2.600		-603		-443		371		474		-1.409
Abschreibungen Depreciations		-124		-196		-268		-318		-50		-84		-442
Operative Kosten Operating costs		-9.935		-10.138		-2.778		-3.334		-3.007		-2.979		-15.720
Segmentbeitrag Segment contribution	3.982		2.778		1.218		-387		-3.056		-2.926		2.144	
Sonstige betriebliche Erträge/Aufwendungen, netto Other operating income/expenditure, net														168
Ergebnis der betrieblichen Tätigkeit Result from ordinary operations														2.312

Statutory Accounting Principles and Methods

This company quarterly report includes Utimaco Safeware AG and all its subsidiaries, using the full consolidation method. The report has been drawn up in Euros in accordance with the International Accounting Standards (IAS) and does not differ in its statutory accounting principles and methods from the consolidated annual report for the business year 2002/2003 which ended on 30th June 2003.

In the cash-flow calculation for the same period in the previous year, the cash-flow items were grouped according to their due dates. In the cash-flow calculation for the reporting period, as a consequence of the changes made on 30th June 2003, these items have only been shown in the sequence defined by assignment to types of activity in accordance with IAS 7. For the purposes of comparability the values for the same period in the previous year have been adjusted.

Segment Reporting

Utimaco Safeware is organised in two divisions (segments) for the purpose of company management:

Personal Device Security (product business)

The Personal Device Security division develops, markets and sells professional software security products for protecting data against unauthorised access and modification on end devices such as desktops, notebooks and PDAs), and also for protecting sensitive data on network servers. They are sold directly and indirectly.

Transaction Security (project business)

The Transaction Security division acquires and implements customer-specific security projects on the basis of its own technologies to protect distributed electronic processes. The own technologies of this division consist of software components (PKI, digital signatures, security gateways and telecommunication management systems) and of a hardware security module, that offers cryptographic services implemented in a secure hardware environment.

On a project base and in a small amount both divisions sell also third-party products (e.g. smartcards and smartcard reader).

Income between the segments is presented separately. The basis for setting off deliveries and services between the segments is the valid market prices applied to customers.

Fluctuations in Orders: Seasonal Factors

Utimaco Safeware usually supplies its products and solutions shortly after receiving orders and usually has no major order backlog. The sale of products and solutions is fundamentally dependent on the orders received and fulfilled in a particular quarter and cannot be accurately predicted.

Typically, in the IT sector, over half of sales contracts are signed in the last few weeks of the quarter. In the past Utimaco Safeware suffered considerable fluctuations in its quarterly operating results and expects this trend to continue in the future. Major additional variations can also occur in the segment contribution made

by each division to total revenues, depending on what proportion of their revenues arises from license sales.

Convertible Option Bond 2003

Following a resolution at the extraordinary general meeting of 1st August 2003, Utimaco Safeware AG, Oberursel, has issues a convertible option bond with a total net value of € 3,439,069.20, associated with the right to acquire up to 1,719,535 individual bearer company share certificates (option rights). To cover the option rights the same general meeting agreed a limited capital increase. The convertible option bond was offered to the shareholders of Investcorp Technology Ventures L.P., Grand Cayman, Cayman Islands, at the issue price of 100%, with exclusion of the subscription right, and accepted by them. The convertible option bond was then transferred. Investcorp Technology Ventures L.P. was granted the right to acquire the 1,719,535 option rights as a whole, or in batches, in such a way that one individual bearer share certificate in the company can be purchased for each share at these staged issue prices:

- € 1.70 in the time period from the issuing of the convertible option bond to 31st December 2004
- € 2.10 from 1st January 2005 until 31st December 2005
- € 2.31 from 1st January 2006 until 31st December 2006;
- € 2.77 from 1st January 2007 until 31st December 2007
- € 3.32 from 1st January 2008 until the end of the period of validity of the convertible option bond.

The option rights can be exercised until 5th March 2011. They are bearer rights and can be transferred.

Company calendar 2003/2004

9-monthly report 2003/2004

24th May 2004

Financial statement press conference and
DVFA analysts' presentation for the
results for the business year 2003/2004

September 30th 2004

General Meeting 2004

24th November 2004