

This document is an unofficial non-binding English translation of the official response document. The sole binding document is the German language response document published on 04 September 2009.



**Response to the Voluntary Takeover Bid of
Barracuda Networks, Inc.
by the Management Board of
phion AG**

Barracuda Networks, Inc., a stock corporation organized under the laws of the State of Delaware having its principal place of Management at 3175 Winchester Blvd, Campbell, California 95008, United States of America (hereinafter "**Barracuda**" or the "**Bidder**"), made and released on August 22nd, 2009 a Takeover Bid (hereinafter also the "**Bid**") pursuant to § 25a of the Takeover Act („Übernahmegesetz“, hereinafter "**ÜbG**") to acquire all shares (with the exception of the selling Shareholder's Shares which, according to the Share Purchase Agreement as defined in item 1, will be sold and transferred) of phion AG, a public limited company having its seat in Innsbruck, its business address at A-6020 Innsbruck, Eduard-Bodem-Gasse 1, registered with the Company Register of the Regional Court of Innsbruck in its quality of Commercial Court under FN 184392s (hereinafter also "**phion**" or the "**Target**"), i.e. up to 800.000 bearer Shares (ISIN AT0000PHION3, hereinafter the "**Share**" if singularly referred to or altogether the "**Shares**"). The offer was made to all Shareholders of phion AG. The Share capital of phion amounts to EUR 800,000, divided into 800,000 no-par bearer Shares, each of them representing the same interest of EUR 1.00 in the Share capital.

Barracuda Networks is not a listed company. Barracuda Networks' major Shareholders include its three founders, Dean Drako, Michael Perone and Zach Levow, as well as leading private equity investors Sequoia Capital and Francisco Partners.

Pursuant to § 14 ÜbG, the Management Board and the Supervisory Board of the Target shall publish, without delay after the publication of the Offer Documents, a factually justified Response to the Bid. The Response must contain, in particular, an evaluation as to whether the consideration offered and the other terms of the Bid take adequate account of the interests of all Shareholders and other holders of equities, as well as an assessment, considering the strategic planning of the Bidder regarding the Target, of the probable effects of the Bid on the Target, especially in regard to the employees (jobs, working conditions and maintenance of the locations), on creditors and on the public interest. Should the Management Board or the Supervisory Board be unable to give a final recommendation, they shall in any case state the arguments for accepting or rejecting the Bid, thereby highlighting the most important considerations. This Response contains information provided by the Bidder, being identified as such or in any other appropriate manner, which accuracy and completeness could not be assessed by the Management Board and the Supervisory Board of phion, due the inaccessibility to the relevant source of information. However, the Management Board of phion is unaware of any circumstance justifying to doubt the accuracy and the completeness of the information provided by the Bidder, thus the Management Board assumes in its Response the accuracy and completeness of such information.

On this basis, the Management Board gives the following Response to the Bid. As far as it refers to the

Bid Price or to the future development of phion in case of the success of the Bid, the Response substantially depends of future developments and prognoses, which are by nature uncertain. Regarding legal questions dealt with in this Response, it must be pointed out that the Takeover Commission and other decision-making bodies may reach other conclusions.

1. Initial situation

Following Shareholders (the „**selling Shareholders**“) agreed to sale their respective Shares to the Bidder, according to a suspensive conditional Share Purchase Agreement dated July 14th, 2009 (the „**Share Purchase Agreement**“):

- i. Wieland Alge: 47,936 Shares, representing about 5.99 % of the Share capital with voting right of the Target;
- ii. Klaus Gheri: 48,533 Shares, representing about 6.07% of the Share capital with voting right of the Target;
- iii. Peter Marte: 80,992 Shares, representing about 10.12% of the Share capital with voting right of the Target.

The sale of the equities hold by the selling Shareholders is subject to suspensive conditions, which correspond to the conditions mentioned in the Bid (see below).

The Bidder launched and released on August 22nd, 2009 a Takeover Bid to the Target, aiming to acquire all its issued Shares (with the exception of the selling Shareholder's Shares which, according to the Share Purchase Agreement, will be sold and transferred), admitted to trading on the Second Regulated Market in the market segment mid-market (ISIN AT0000PHION3), including all rights connected to the Shares, especially (but not exclusively) voting rights, dividend rights and subscription rights in case of capital increase.

The Bidder stated that, at the time of publishing the Offer Documents, neither itself nor a legal entity acting in concert with was owning equities in the Target. Thus, this Bid is for the acquisition of up to 622,539 bearer Shares („**Shares to which the offer relates**“), representing 77.82% of the Share capital of the Target, considering the 177,461 Shares (22.18 % of the Share capital with voting rights of phion) sold by the selling Shareholders to the Bidder according to the suspensive conditional Share Purchase Agreement.

This Bid is subject to the suspensive conditions as defined hereinafter, which correspond as for their content to the suspensive conditions mentioned in the Share Purchase Agreement. The conditions must be fulfilled by the end of the Acceptance Period (extended, if applicable) as defined in item 2.5 of the Bid, so far the Bidder didn't waive their occurrence.

- i. at the end of the (extended, if applicable) Acceptance Period (as defined in item 2.5 of the Bid), Barracuda and any legal entity acting in concert with Barracuda dispose of at least 75 % plus one Share of the Shares of the Target (including the Purchased Shares as defined in item 1.1.1 of the Bid), i.e. that Barracuda and any person(s) acting in concert with Barracuda dispose of at least 600.001 Shares (including the Purchased Shares as defined in item 1.1.1 of the Bid); in the event that any additional Shares should be issued by the the Target during the (extended, if applicable) Acceptance Period (as defined in item 2.5 of the Bid) and that Barracuda should waive fulfilment of the condition precedent pursuant to (v) below, the number of Shares (including the Purchased Shares as defined in 1.1.1 of the Bid) shall be increased accordingly so that the minimum acceptance quota of 75 % plus one Share of the Target's total issued voting stock (including the Purchased Shares as defined in 1.1.1 of the Bid) shall also apply to such an increased total amount of Shares;

- ii. up to and at the end of the (extended, if applicable) Acceptance Period (as defined in 2.5 of the Bid), no bankruptcy proceedings (Konkursverfahren), composition proceedings (Ausgleichsverfahren) or reorganization proceedings (Reorganisationsverfahren) have been opened in Austria over the assets of the Target or bankruptcy proceedings (Konkursverfahren) or composition proceedings (Nachlassstundungsverfahren) in Switzerland over the assets of phion AG, a joint stock company (Aktiengesellschaft) organized under the laws of Switzerland having its corporate seat in Zurich and its registered address at CH-8006 Zurich, Ottikerstraße 59, registered in the companies register of the Cantonal Court of Zurich under CH-020.3.025.646-3 (the "Material Subsidiary");
- iii. up to and at the end of the (extended, if applicable) Acceptance Period (as defined in 2.5), no dissolution, liquidation or winding-up of the Target or its Material Subsidiary has been resolved upon;
- iv. through and at the end of the (extended, if applicable) Acceptance Period (as defined in 2.5 of the Bid), no resolution has been passed by the Shareholders' meeting of the Target to substantially amend or modify the Target's articles of association (Satzung); and
- v. through and at the end of the (extended, if applicable) Acceptance Period (as defined in 2.5 of the Bid), no new Shares in the Target have been issued.

The Bidder reserves its right to waive unilaterally the fulfilment of certain or all of such conditions precedent, in which case such conditions precedent shall be considered fulfilled. In the event that the Bidder should waive the condition precedent pursuant to (i) above, the statutory condition pursuant to § 25a para 2 ÜbG shall be applied, according to which, at the end of the (extended, if applicable) Acceptance Period (as defined in 2.5 of the Bid), Barracuda and any person(s) acting in concert with Barracuda dispose of at least 50 % plus one Share of the Shares (including the Purchased Shares as defined in 1.1.1 of the Bid). Further details of the conditions precedent and the possibility to waive such conditions precedent are contained in 2.3 of the Bid.

Apart from the Conditions Precedent, the Bid is not subject to any further conditions or rights of withdrawal (except for the Bidder's right of withdrawal as outlined at 2.7 of the Bid).

The Acceptance Period runs from August 24th, 2009 to September 18th, 2009, 6.30 p.m., Vienna local time.

2. Assessment of the Takeover Bid

2.1. Bid Price

The Bid Price is EUR 12.00 per Share ("**Bid Price**").

2.2. Mandatory minimum price requirement.

According to § 26 para 1 ÜbG, the price offered in connection with a voluntary Bid to acquire a controlling interest (*freiwilliges Angebot zur Kontrollerlangung*) shall

- i. not be less than the volume weighted average price quoted for the respective Shares within the last six months preceding the date of announcement of the intention to launch the Bid, and
- ii. not fall below the highest consideration in cash granted or promised by the Bidder or any party acting in concert with it for the respective Shares within the last twelve months preceding the date of filing of this Bid; the same rule shall apply to the consideration offered for Shares which the Bidder or any party acting in concert with it is entitled or obliged to acquire in the future.

The average price, weighted by the respective trading volumes of the equities in the past six months before the day on which the intention to make the Bid was announced, i.e. the period from January 16th,

2009 to July 16th, 2009, amounts EUR 6.55 per Share. The Bid Price is higher than the average price, weighted by the respective trading volumes of the equities in the past six months before July 16th, 2009, the day on which the intention to make a Bid was announced, and thus complies with the mandatory minimum price requirements as set forth in § 26 Abs 1 ÜbG.

The acquisition of all Shares of the selling Shareholders, according to the conditional Share Purchase Agreement with suspensive conditions, is relevant while assessing the minimum price requirement. The acquisition shall take place in consideration of a price of EUR 12.- . and will become effective under the condition that the Bid will be successfully completed (see item 1 regarding the suspensive conditions of the Share Purchase Agreement.), which will also make the sale price for the Shares of the selling Shareholders to become payable.

The Bid Price for the Shares to which the offer relates corresponds to the consideration offered by the Bidder for the acquisition of the Shares of the selling Shareholders in the Share Purchase Agreement (which amounts to the Bid Price). According to its own statements, neither Barracuda nor a party acting in concert with it has acquired or agreed to acquire any Share of the Target within the preceding 12 months before the announcement of the Bid, with the exception of the prior mentioned intended acquisition with suspensive condition.

On the basis of the Bidder's statement, the Bid Price of EUR 12.- per Share to which the offer relates complies with the legal requirements of § 26 ÜbG regarding the minimum price requirement.

2.3. Adequacy of the Bid Price

The Management Board of the Target Company undertook an analysis of the book equity value and of the average Share price for the last week as well as for the 1st, 3rd, 6th, and 12th calendar months before the intention to launch the Bid was announced. Furthermore, the Management Board based its assessment on two detailed analysis outsourced to the Erste Group Bank AG. On the basis of the analysis carried out, of the figures for the current quarter (Q1 2009/10) and of the information provided by the Bidder, the Management Board is of the opinion that the Bid Price of EUR 12.- per Shares to which the offer relates is adequate and fair.

Phion has reported a decrease in turnover (-20%), amounting to 2.2 Mio. EUR for the first quarter 2009/10, due to difficult market environment affecting competitors to the same extent.

For the purposes of the Takeover Bid, the Erste Group Bank AG comments this situation in an analysis dated August 14th, 2009, as follows:

„For the means of the Takeover Bid, the reported quarter figures are without signification for the share price. We confirm the upside target of EUR 12.- and our recommendation to hold. We recommend private Shareholders to accept the Takeover Bid. The event, that institutional investors might boost the takeover price would also be profitable to private Shareholders.”

Source: Analysis of the Erste Group Bank AG as of August 14th, 2009, Daniel Lion, CIIA

2.3.1. Analysis of the book equity value

On March 31st, 2009, phion prepared a consolidated financial statement pursuant to IFRS, for which an unqualified audit opinion was issued on June 3rd, 2009 by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the group auditors. The consolidated financial statement reports an equity capital amounting to EUR 12,830,614. i.e. EUR 16.04 per Share. Since phion did not resolve on the distribution of a dividend at the annual general meeting held on July 10th, 2009, the equity value per Share in phion was calculated as EUR 16.04 on March 31st, 2009. Hence, the Bid Price as of March 31st, 2009 was EUR 4,04, i.e. about 25%, lower than the equity value per Share in phion.

The equity capital reported in the Q1 figures amounts to EUR 11,995, i.e. EUR 14.99 per Share. Thus, the Bid Price as of June 30th, 2009 was EUR 2.99, i.e. about 20%, lower than the equity value per Share in phion

Furthermore, it is to be pointed out that other listed companies, which partially have shares with a liquidity considerably higher than the Shares of phion, are currently listed by far under their calculated equity value per Share. Therefore, those figures only have a restrictive signification in the assessment of the achievable market value of the Shares of the Target. This is all the more the case as the Shares of the Target have a low liquidity in comparison to other securities.

The following chart on the price-book ratio of selected Peer-Group companies corroborates the aforementioned.

phion AG

Price-Book-Ratio as per 15 July 2009

Comparable company analysis - Price-Book-Ratio							
15 Jul 2009 Company	Country	Share price (€)	Book value (€m)	Number of shares (m)	Book value/ share (€)	Price/ Book value	Book value of equity
PHION AG	AT	8,60	12,00	0,80	14,99	0,57x	as per 30 Jun 2009
ARKOON	FR	2,99	11,89	4,61	2,58	1,16x	as per 31 Dec 2008
BRAIN FORCE HOLDING AG	AT	1,27	22,54	15,39	1,46	0,87x	as per 30 Jun 2009
FABASOFT AG	AT	2,26	16,38	8,52	1,92	1,17x	as per 31 Mar 2009
UPDATE SOFTWARE AG	AT	2,55	25,69	11,46	2,24	1,14x	as per 30 Jun 2009
S&T SYSTEM INTEGRATION & TEC	AT	8,55	40,45	3,59	11,28	0,76x	as per 31 Mar 2009
Mean (excl phion AG)						1,02x	
Median (excl phion AG)						1,14x	

Note: Book value of equity and number of shares as reported in most recently available company reports
phion AG: balance sheet as per 30 June 2009

Source: Bloomberg, Company websites (Investor Relations - Reports), KPMG Corporate Finance

The price-book ratios range from 0.76x to 1.17x by comparable companies. In the case of phion, the price-book ratio raised to 0.80x (compared to 0.57x before) in relation to the Bid Price after publication of the Takeover Bid.

2.3.2. Analysis of the average Share price

The following chart shows the average Share price (in EUR) for a 1, 3, 6 and 12 months period before the intention to takeover was announced (on July 16th, 2009) as well as the extent, in percentage rate, to which the Bid Price(in EUR) exceed the Share prices:

	1 Month	3 Months	6 Months	12 Months
Unweighted average price (EUR)	8,50	7,23	6,99	11,58
Bid Price (EUR)	12,00	12,00	12,00	12,00
Premium (EUR)	3,50	4,77	5,01	0,42
Premium in %	41,18	65,98	71,67	3,63
Volume-weighted average price (EUR)	8,40	6,71	6,55	8,80
Bid Price (EUR)	12,00	12,00	12,00	12,00
Premium (EUR)	3,60	5,29	5,45	3,20
Premium in %	42,86	78,84	83,21	36,36

Source: Bloomberg

In an analysis as of July 17th, 2009, the Erste Group Bank AG comments as follows the price of EUR 12.- per Share offered in the Takeover Bid:

„The Bid Price of EUR 12.- offers a 72% premium on the average price over the last 6 months and an Upside of 40% from the last market price of phion AG’s Shares. Moreover the price exceed by about 9% our recently released 12 months target price of EUR 11.-. However, our target price includes a 20% liquidity discount, the equity value per Share as of today is calculated as EUR 12.1.

We recommend private investors being presented such an offer to accept it. However, we do not exclude the possibility that institutional investors may require a higher Bid Price. In the event that the Bid Price would be increased by Barracuda, all Shareholders would get the difference paid back, even those having accepted the offer of EUR 12.-. On the basis of the announced Bid, our target price for now will be increased to EUR 12.-.”

Source: Equity Weekly, Erste Group Bank AG as of July 17th, 2009, Daniel Lion, CIIA

The average Share price weighted according to the turnover volume (trading days only) quoted for the last six months preceding the announcement of the intention to make the Bid, i.e. since January 1st, 2009, amounts to EUR 6.55 per Share. The Bid Price amounts to EUR 12.- per Share and is thereby about 83.21% over the average Share price weighted according to the turnover volume quoted for the last six months preceding the announcement of the intention to make the Bid. The Management Board shares the opinion of the Bidder, according to which the successful completion of the Bid would mean

one the highest premium in percentage, based on the weighted average price of the last six months, ever reached by the takeover of a company listed on the Vienna Stock Exchange since May 1999.

On July 16th, 2009, the day the intention to launch the Bid was announced, the closing price of Shares in phion on the trading system XETRA was EUR 8.60 and thereby EUR 3.40 under the Bid Price, which correspond to a premium of about 39.53 %.

2.3.3. Evaluation on the basis of Stock Exchange multiples.

It results from the assessment of the Target, considering five Peer-Group companies multiples based on closing Share prices as of 15 July 2009 compared with the Bid Price, that the price offered for the Shares in the Bid can be considered as attractive.

The detailed results of the Peer-Group calculation are as follows:

phion AG

Multiples are based on closing share prices as of 15 July 2009
Negative figures have not been stated (shown als "neg." in the table)

Comparable company analysis - Multiples																
€m Company	Country	Market cap	Net debt/ (cash)	Enterprise value (EV)	2008A	EV/Sales 2009E	2010E	2008A	EV/EBITDA 2009E	2010E	2008A	EV/EBIT 2009E	2010E	2008A	P/E 2009E	2010E
PHION AG	AT	6,9	-4,2	2,6	0,22x	0,19x	0,16x	neg.	1,9x	1,0x	neg.	neg.	2,2x	neg.	neg.	6,0x
ARKOON	FR	14,1	-5,1	9,0	0,71x	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	30,6x	n/a	n/a
BRAIN FORCE HOLDING AG	AT	19,5	6,4	26,0	0,24x	0,28x	0,27x	3,3x	9,3x	3,2x	6,8x	neg.	6,0x	neg.	neg.	7,8x
FABASOFT AG	AT	18,9	-17,1	1,9	0,09x	n/a	n/a	neg.	n/a	n/a	neg.	n/a	n/a	neg.	n/a	n/a
UPDATE SOFTWARE AG	AT	28,8	-15,8	13,0	0,35x	0,41x	0,40x	2,6x	130,0x	5,4x	3,0x	neg.	7,2x	7,2x	neg.	14,4x
S&T SYSTEM INTEGRATION & TEC	AT	30,7	61,3	91,9	0,18x	0,19x	0,19x	6,5x	8,2x	6,0x	13,5x	21,4x	10,8x	neg.	neg.	10,5x
Mean (excl phion AG)					0,32x	0,30x	0,29x	4,2x	49,2x	4,9x	7,7x	21,4x	8,0x	18,9x	n/a	10,9x
Median (excl phion AG)					0,24x	0,28x	0,27x	3,3x	9,3x	5,4x	6,8x	21,4x	7,2x	18,9x	n/a	10,5x

Note: Market capitalisation based on closing share prices as of 15 July 2009
Source: Bloomberg, KPMG Corporate Finance

Take-over bid phion AG

Bid price per share in €m	12,0
Number of shares in millions	0,8
Equity Value for 100% in €m	9,6

Multiples based on the take-over bid																
€m Company	Country	Equity Value	Net debt/ (cash)	Enterprise value (EV)	2008A	EV/Sales 2009A	2010A	2008A	EV/EBITDA 2009E	2010E	2008A	EV/EBIT 2009E	2010E	2008A	P/E 2009E	2010E
PHION AG	AT	9,6	-4,2	5,4	0,45x	0,38x	0,32x	neg.	3,9x	1,9x	neg.	neg.	4,4x	neg.	neg.	8,4x

The different multiples (see above) of comparable companies are better than those of phion before July 15th, 2009. Due to the Bid Price, the multiple of phion for EV/Sales improved from 0.19x to 0.38x for the year 2009 and from 0.16x auf 0.32x for the year 2010 after that the intention to bid was announced. Those figures are better than the average and median value of comparable companies. This multiple is being quoted since it is the only one enabling a quantitative comparison (other multiples of the companies show many negative values.)

Evaluation on the basis of the DCF.

In order to evaluate the adequacy of the Bid Price, the Management Board of phion carried out an analysis on the basis of the Discounted Cash Flow Method (DCF) according to two planning assumptions as of June 20th, 2009, resulting in a market value of the book equity value of EUR 10.60 to EUR 11.10 respectively per Share.

The Bid Price of EUR 12.- per Shares exceeds the calculated valuation range.

2.3.4. Target price of the Shares

The analysis carried out by the Erste Group Bank AG on July 9th, 2009 quotes a target price of EUR 11.- per Share. The Bid Price of EUR 12.- per Share is above this target price.

The analysts of the Erste Bank currently maintain their recommendation to hold and the target price of

EUR 12.- per Share in phion. (*Sources*: Analysis of the Erste Group Bank AG as of August 14th, 2009 and a recently update as of August 28th, 2009).

2.4. Listing of the Target

The Bidder declares in the Bid that, in the event that after the conclusion of the Bid it would dispose of less than 90% but at least 75% plus one Share of the Share capital and the Shares with voting rights (including the Purchased Shares as defined in item 1.1.1. of the Bid), it intends to support the continued listing of the company on the Vienna Stock Exchange. In case that, after the conclusion of the Bid or at anytime in the future, the Bidder would dispose of more than 90% of the Share capital and the Shares with voting rights (including the Purchased Shares as defined in item 1.1.1. of the Bid), it reserves its right to enforce a squeeze out in accordance with the Austrian Squeeze Out Act (Gesellschafterausschlussgesetz „GesAusG“), which would lead to the expulsion of all other Shareholders of phion AG and to the delisting of the company. At this stage, the Bidder hasn't taken any decision in this regard.

3. Acceptance and settlement of the Bid

Details regarding the acceptance and settlement of the Bid can be found at item 2.5 of the Offer Document. None of the Shareholders is compelled to accept the Bidder's offer.

Pursuant to Section 17 ÜbG, if a competing Bid is made during the validity period of the Bid, the holders of Shares may withdraw their acceptance, up to four stock exchange days prior to the expiration date of the original Acceptance Period.

The Bidder reserves its right to withdraw its Bid in the event that a competing Bid is made during the validity period of the Bid (item 2.7 of the Bid.)

4. Equal treatment

The Bid Price amounting to EUR 12.- per Share is the same for all Shareholders. Reference is made to item 2.9 of the Offer Documents regarding the Bidder's cumulative payment obligation.

The acquisition of the selling Shareholder's Shares will become effective upon successful conclusion of the Takeover Bid (see item 1 regarding the suspensive conditions of the Share Purchase Agreement.). Since the payment of the selling Shareholders' Shares will not become due until then, the sale price will not be paid to the selling Shareholders before payment of the Bid Price.

5. Statement on the interests of the Shareholders, the employees, the creditors and the public interest.

5.1. Economic reasons of the Bidder for making the Bid.

The Bidder mention following economic reasons for making the Bid (see item 1.2 of the Offer Document.):

The aimed acquisition by Barracuda of a controlling Shareholding in phion is in line with Barracuda's growth strategy.

Barracuda is of the opinion that, should the Bid be successfully completed, the takeover of phion will bring the perspective of offering a wide range of solutions to IT challenges faced by its clients and, especially, will enable Barracuda to embrace a leadership role in the worldwide data security market. Furthermore Barracuda considers that phion's range of products completes its own offer of products

and services, which will reinforce Barracuda's capacity to provide extensive security solutions to current and potential clients.

Barracuda's position is also that a synergy effect will be created between its own technology and channel of distribution on the one hand and phion's technology on the other hand. Barracuda is of the opinion that a combined entity will be able to produce better products, to offer a wider range of solutions and to use at its advantage Barracuda's trade mark and global distribution network, especially in the United States of America, which will result in a higher cash flow than if Barracuda was operating alone.

Barracuda sees clients' demand in the IT branch as tending to get solutions from one source instead of dealing with different providers for singular products. As for the Management and the product functionality, Barracuda is also convinced of the possibility to achieve a high performing integration, which full potential can only be realised if Barracuda and phion belong to the same company group.

In this regard, it is noticed that phion's and Barracuda's strengths complete each other. Barracuda offers to its clients and partners in nearly all regions local technical support, Central Europe being thereby a weaker point. Phion can fill this gap by its strong presence in the distribution system, in the technical support as well as regarding its regional marketing activities.

5.2. Shareholding and corporate policy

5.2.1. Future business policy

According to the informations provided by the Bidder in 4.1. of the Bid, Barracuda intends, on successful completion of this Bid, to continue operating phion as an independent business unit to support and encourage the continued advancement of Barracuda's network and web application security business.

Barracuda anticipates that the result of the combination of Barracuda's and phion's business activities will be to extend the product portfolio of the worldwide Barracuda group and to help to bring phion products to territories previously unserved by phion. In addition, Barracuda intends to pursue opportunities to integrate product capabilities to enable it to provide an integrated solution for its customers. Barracuda will seek to understand and preserve brand value where it makes sense, but will likely distribute phion products in its own territories under the Barracuda brand.

Following successful completion of the Bid, Barracuda plans to assess possible new business opportunities with phion, including points of technology integration and operational synergy. Barracuda has the intention to continue to invest in the phion group technology and to extend its product leadership. Barracuda also intends to support the ongoing business of phion group in the territories phion group currently serves.

Barracuda Networks anticipates retaining and growing phion's staff across functional areas as it views the knowledge and capabilities of phion's employees as critical to success. While phion has been unable to generate profits in its most recent fiscal years, Barracuda is committed to maintaining a required level of investment, and expects to reap rewards in the future as a function of leveraging synergies in its distribution network.

5.2.2. Restructuring measures intended

According to item 4.2 of the Bid, Barracuda Networks does not anticipate making any changes to the corporate structure of phion AG and/or phion group upon successful completion of the Bid. Barracuda Networks plans to support continued execution of phion AG's business plan by its Management while at the same time expanding distribution of phion products under the OEM Agreement. Insofar, the interests of the company's creditors are protected.

As soon as possible after successful completion of the Bid, it is intended to call an extraordinary Shareholders' meeting of the Target in order to elect new Supervisory Board members (*Aufsichtsratsmitglieder*) (and to replace Supervisory Board members currently in office). Barracuda intends to propose that at least the majority (if not all) of the Supervisory Board members be replaced.

5.2.3. Impact on the employment situation and the issues of location.

According to 4.3 of the Bid, Barracuda does not anticipate making any structured layoffs of phion's staff as a consequence of the acquisition of a controlling interest in phion pursuant to the Bid. Further, Barracuda does not anticipate making material changes to optional employee benefit programs, but may seek to apply consistency with corporate policies across the Barracuda group over time.

Barracuda does not anticipate any material changes to subsidiaries or branches of the phion group upon successful completion of the Bid, but will look to explore areas where efficiency can be gained across the operations of the combined entities group.

The Management Board points out that there's currently no phion's staffed subsidiaries in countries where Barracuda is not already strongly represented. Therefore, the option of a subsidiaries merger wouldn't have any direct consequences on the employment situation. The possible future recruitment of staff is expected to be carried out in such a way that parallelism will be as far as possible avoided.

5.3. Evaluation summary

In regard to the above mentioned considerations, the Management Board is of the opinion that the Bid serves the interests of the shareholders, the employees, the creditors and the public interest.

6. Interests of the Management Board members of phion AG

6.1. Joint mandates (*Organverflechtungen*)

No member of the Management Board of phion AG is at the same time a member of the board of the Bidder and/or parties acting in concert with the Bidder and vice versa (*wechselseitige Organverflechtungen*).

The Management Board declares that the members of the Management Board have not been offered or granted any financial advantage by the Bidder in the case that the Bid would be successfully completed. Neither has the Management Board been offered or granted any financial advantage from any party shall the Bid be successfully carried out.

Following successful completion of this Bid, the employment agreements (*Anstellungsverträge*) made between phion AG and each of (i) Mr. Wieland Alge, member of the Target's managing board, (ii) Mr. Klaus Maximilian Gheri, chief technology officer of the Target, and (iii) Mr. Peter Marte, chief software architect of the Target, shall be replaced by new employment agreements. However, such new employment agreements shall only be entered into at arm's length terms and conditions. According to these new employment agreements, Messrs. Wieland Alge, Klaus Maximilian Gheri and Peter Marte shall be offered an arm's length annual bonus for a period of three years following successful completion of the Bid, if and as long as they continue to work for phion after successful completion of the Bid (so called *retention bonus*). The retention bonus shall ensure that Messrs. Alge, Gheri and Marte, as key personnel, will remain on a long term basis at the company's disposal even after the successful completion of the Bid. Furthermore, the named persons shall be offered a one time arm's length bonus in the first year after closing of the respective new employment agreements provided that they achieve – quite ambitious – individually agreed milestones and objectives at the individual level as well as at the level of phion (the "**Bonus Payment**"). The one time Bonus Payment, if any, shall replace bonus agreements and bonus payments currently agreed upon between phion and Messrs.

Wieland Alge, Klaus Maximilian Gheri and Peter Marte which are valid for longer periods; the Bonus Payment shall exclusively be an incentive for the rapid integration of phion into the Barracuda group as well as for further business expansion of phion.

6.2. Current holding in securities of the Target

For the purpose of extensive information about the Shareholders (Section 3 subsec 2, Section 4 subsec 3 ÜbG), the following chart lists the Shares owned by the members of the Management Board of phion AG:

Name	Function	Number of Shares	Reporting date
Dr. Wieland Alge	CEO, Management Board Member	47,936	July 30th, 2009
Mag. Günter Klausner	CFO, Management Board Member	1,000	July 30th, 2009

In 2007, in the course of phion's IPO, a stock option plan for members of the Management Board and executive managers was implemented (the „**stock option plan**“), which was terminated as for Management Board at the end of the business year 2007/2008 since the options purposes hadn't been achieved

Due to the exercise date set forth in the stock option plan and to the current Share price, an exercise of the option is not possible pursuant to the provisions of the stock option plan.

There are no agreements with the Bidder regarding a termination or amendment of the stock option plan in the event of a successful takeover.

Mr. Mag. Günter Klausner, CFO, intends to sell his 1,000 Shares in line with the Bid.

6.3. Interests of the Management Board.

According to the Share Purchase Agreement, the Management Board member, Mr. Dr. Wieland Alge, sells his 47,936 Shares. The effectiveness of the Share Purchase Agreement is conditional to the successful completion of the Bid. Hence, Mr. Dr. Wieland Alge has a personal interest in completing the Bid and abstained from voting on the resolution of the Management Board on the present Response.

7. Markets on which the Shares for trading.

The Shares of phion AG are admitted for trading on the Second Regulated Market of the Vienna Stock Exchange under ISIN AT0000PHION3 and are traded in the market segment mid-market.

8. Miscellaneous

8.1. Legal counsel

monlaw Leuthner Rechtsanwalts GmbH, Canovagasse 7, A-1010 Wien, registered under FN 307308z with the Commercial Register of the Commercial court of Vienna are the legal counsels of phion AG in the present takeover process.

8.2. Expert pursuant to § 13 ÜbG

In accordance with § 13 ÜbG, phion has appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft with seat in Innsbruck and business address at Adamgasse 23, 6020 Innsbruck, registered under FN 269725 f with the Commercial Register of the Regional court of Linz, as counsel for the whole proceedings and to examine as an independent expert the statements of its administrative bodies.

8.3. Further information

Mr. Mag. Günter Klausner, phone number +43 508 100, g.klausner@phion.com, is available during normal business hours for further information regarding this Response of the Management Board. Please also visit the website <http://www.phion.com/> for more details.

8.4. Response of the Supervisory Board

The chairman of the Supervisory Board of phion AG has informed the Management Board, that the Supervisory Board has resolved to make a statement in which it agrees with the Response of the Management Board on the Takeover Bid.

8.5. Definitions

Unless otherwise specified in this Response, the definitions of the Bid apply.

9. Summary and recommendations

In conclusion, the Bid Price fulfils the legal requirements of §26 subsec.1 ÜbG, and fairly takes into account the interests of the Shareholders, the employees, the creditors and the public interest.

The offered price of EUR 12.- per Share is under the equity value per Share in phion on March 31st, 2009. However, a comparison of the Share prices before the publication of the Takeover Bid, the valuation procedure applied by the Management Board of phion as well as the figures for Q1/2009 show that the Bid Price is still to be considered as attractive. Though, the Bid Price is 83.21% over the average Share price weighted according to the turnover volume quoted for the last six months preceding the announcement of the intention to make the Bid. In comparison with the takeover of listed companies since May 1999, this corresponds, in term of percentage, to a comparatively very high premium on the basis of the weighted average Share prices over the last six months preceding the announcement of the intention to make the Bid.

The anticipated acceptance of the Bid is currently not estimable for the Management Board. The Management Board doesn't exclude the possibility that institutional investors are expecting a higher Bid Price.

The Management Board of phion recommends to the Shareholders to accept the Bid.

Innsbruck, September 2009

Management Board

This document is an unofficial non-binding English translation of the official response document. The sole binding document is the German language response document published on 04 September 2009.