

Annual Report
2005

The Engineers of IT.





Management Report

Operating activities	46
Economic conditions	46
Course of business	47
Revenue and earnings position	48
Financial position	54
Net assets	54
Employees	55
Research and development	55
Risk report	56
Supplementary report	62
Prognosis report	62

1 Operating activities

Organisation and company divisions

GFT Technologies AG (GFT AG) and its affiliated companies are European suppliers of innovative IT solutions, operating from 20 locations in nine different countries. The spectrum of services offered by the Company group ranges from consultation, systems integration, and the development and operation of applications, all the way to procurement of IT experts and the outsourcing of IT purchasing processes.

Three different business sectors describe our core competence as IT service providers:

- **Services** for the conceptual design, development, operation and service of innovative IT applications that sustainably shape the business processes of banks and insurance companies, as well as of postal and logistics service suppliers. These classic project services are rendered by staff in our Germany offices, in the cost-efficient European foreign countries, or more economically in India and Brazil.
- **Software** belonging to the GFT *hyparchiv* family of products that GFT developed and implemented, and which allows companies from all industries to automate their document-based business processes.
- **Resourcing** (formerly Business Process Outsourcing, BPO), which comprises the procurement and management of external personnel for other companies: from individual freelancing IT specialists, all the way to complete IT suppliers.

GFT is able to supply at all levels along the value-added chain in the IT services sector. There are very few IT companies in Europe possessing such a vast portfolio of services.

GFT AG is itself operationally active, and is the management company of the GFT Group. It defines strategies, controls the subsidiary companies, and makes central resources available to the other legally independent subsidiaries, within and outside Germany. GFT pursues a strategy for sustainable, profit-oriented growth, and aims towards the steady increase of company value. Operational control is carried out over branch offices, legally independent subsidiaries, and so-called business units that focus on individual industries.

2 Economic conditions

Macroeconomic development

The world economy was robust in 2005. Low interest rates, favourable sales prospects, and a positive income situation for the company resulted in growth impulses. This development was tempered by severe price increases for oil as well as other raw materials and energy. In contrast to the North American and Asian regions, where market conditions developed quite dynamically, the economy in Western Europe was rather restrained.

Growth of the gross domestic product in GFT's sales markets slowed down – with the exception of Spain, which gained dynamics once again with an annual growth rate of 3.4 % (previous year: 3.1 %). Among the other countries, Hungary registered the largest growth with 3.7 % (prev. year: 4.6 %), followed by the U.S. with 3.5 % (prev. year: 4.2 %), Switzerland with 1.9 % (prev. year: 2.1 %), United Kingdom with 1.8 % (prev. year: 3.2 %), Austria with 1.7 % (prev. year: 2.4 %), and France with 1.5 % (prev. year: 2.3 %). Germany placed last again, with a plus rate of 0.9 % (prev. year: 1.6 %). Once again, exports were primarily responsible for such growth. Positive impulses for domestic activity were, on the other hand, largely absent.

Development of the industry

A similar picture emerges in the development of the IT industry. While the German Association for Information Technology, Telecommunications and New Media (BITKOM) acknowledged accelerated growth of the world market in 2005, growth stabilised in Europe at a solid level. Nevertheless, the industry grew stronger than the overall economy in Europe, and thus became a driving force of the economy. Software and IT-services were and remain especially strong market segments – segments that are served by GFT. Their present rate of growth is approximately 5 %.

This development confirms that companies are once again investing in information technology, but are proceeding in a very selective manner. Budgets are being approved for solutions that are decisive for the companies' competitiveness or day-to-day operations, and can achieve quantifiable added value in a short amount of time. Companies continue to save in areas where this is not the case. Under these conditions, a large number of companies continue to abstain from setting up internal personnel in their IT areas. Instead, they rely on external specialists with whom they strengthen their own teams, on an as-needed basis. In contrast to pure system integrators or specialised personnel facilitators, GFT can benefit, with its vast portfolio, from its customers' propensity to invest as well as from their cost-reduction measures.

Our production model is a response to the price-sensitive cutthroat competition that IT service providers must face: Thus, we focus on cost-efficient development potentials in European foreign countries, as well as in India and Brazil. With this model we have already taken into account the planned European Union (EU) service directives, which have as a goal to facilitate the supply and demand of transnational services in the EU. We are not expecting increased competitive pressure from the opening of the markets. The IT service market has already been internationally positioned for many years. Still, we hope that with this legal reorganisation, bureaucratic and administrative obstacles will cease to exist.

3 Course of business

Important events and their effect on the course of business

In this economic environment, GFT was able to assert itself well during the past financial year. Our efforts to respond to increased demands with suitable strategies are showing lasting effect. As a result, we have concentrated even more intensely on our core competences, and sold both of our non-strategic divisions, emagine Hauptversammlungsservice (HV- Service) and GFT Media, in 2005. In 2004 we had already parted ways with GFT Systems GmbH.

In the course of implementation of a major order for a Brazilian financial services provider, and in order to expand our international production capacities, including capacities for European customers, we purchased an inactive shelf company in Brazil. Towards the end of 2005, however, no operative business had yet been conducted over this subsidiary.

Altogether, the Executive Board is satisfied with the course of business in 2005. As intended in the planning, the Group achieved positive pre-tax results quarter to quarter. We achieved this goal even though we were unable to retain revenue at the previous year's level, as had been expected. In the first half of 2005, revenue was still outperforming the previous year's level. As the financial year progressed, revenues had an increasing tendency not to develop with the same dynamic as in 2004. Especially in the *Resourcing* segment, revenues remained below forecasts.

The Group's annual net income amounted to € 1.1m. at the end of the reporting year (prev. year: € -3.9m.). The pre-tax result improved from € -2.2m. in 2004, to € 1.6m. in the year under review.

For GFT AG, the annual net income for the past business year amounted to € 2.8m., compared to € -1.2m. in the previous year. It was possible to achieve a positive result of € 2.8m. before taxes (prev. year: € -1.2m.).

The business success of GFT as an international IT service provider can be essentially ascribed to the capabilities and motivation of its employees. In this context, the non-financial performance indicators at GFT concern exclusively the interests of the employees. They are described in detail in the risk report.

4 Revenue and earnings position

Revenue for the combined group 4 % below previous year, GFT AG increases sales by 10 %

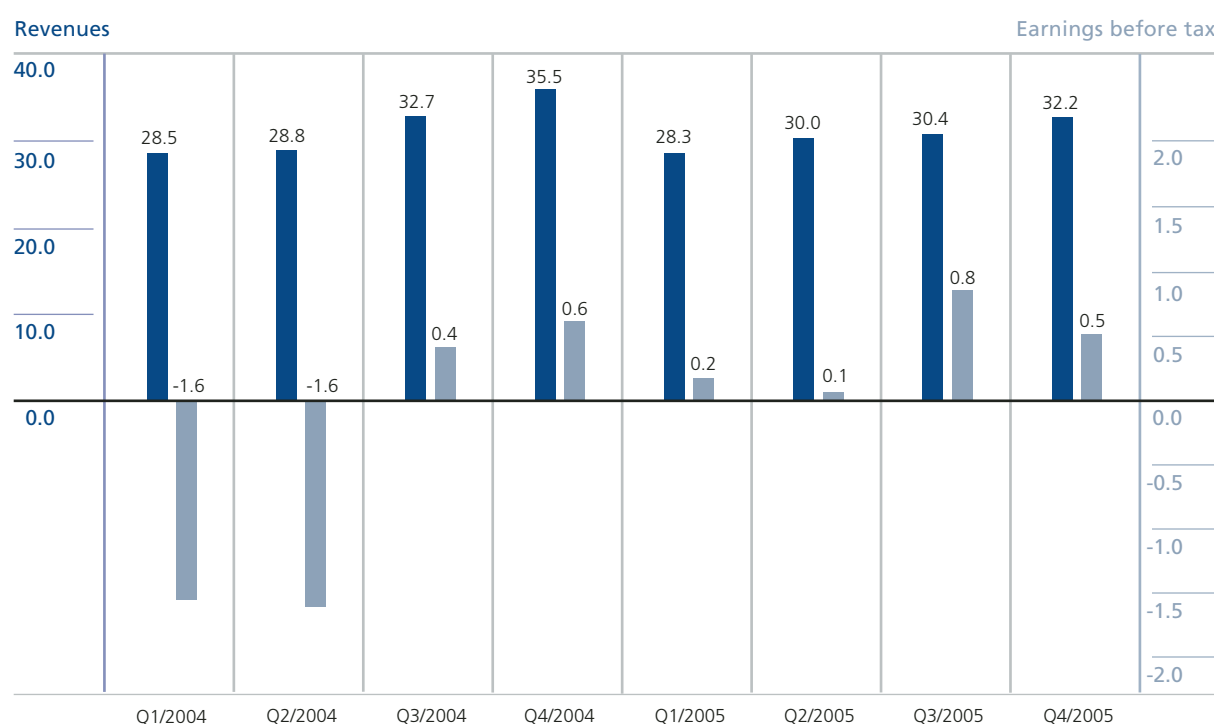
In 2005, the GFT Group posted revenue of € 120.9m. compared to € 125.5m. the previous year. This corresponds to a decline of € 4.6m. or just under 4 %. Adjusted with the sale of the GFT Systems GmbH, HV-Service and GFT Media divisions, the decline in revenue totals € 1.6m. or 1.3 %.

There was a clear displacement of revenue shares among the individual segments. Due to cost-cutting measures by a major client, revenue in the *Resourcing* segment sharply underperformed the previous year's level. This decline was partially offset by increasing sales in the *Services* segment.

GFT AG posted a clear increase in revenue of € 7.2m., or 10 %, of € 71.7m. to € 78.9m. This increase in revenue was generated primarily by the *Services* segment and, in this case, by customers in the Financial Services, Post and Logistics industries. Revenues declined in the *Resourcing* segment and with industrial customers. The overall performance of GFT AG, meaning revenue and inventory changes, increased by € 3.9m. or 5.3 % to € 76.6m.

Development of revenues and earnings before tax on a quarterly basis

€ millions



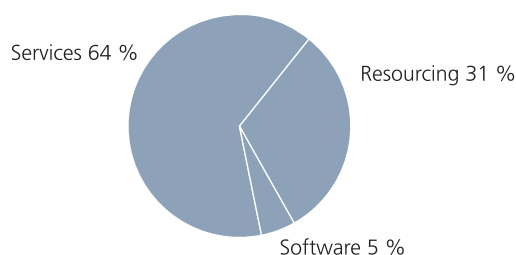
Graphics and diagrams are for the purpose of illustration and do not comprise part of the Annual Report.

■ Revenues ■ Earnings before tax

In 2005, both demand and capacity utilisation at the GFT Group performed quarter-to-quarter similarly to the previous year. While the traditionally weak first quarter, and the two ensuing stronger quarters almost matched the level of the previous year, demand in the fourth quarter underperformed the same time period for the previous year, especially in the *Resourcing* segment.

A similar progression can be determined for GFT AG. As the quarters progressed, it was possible to compensate for lower demand versus the previous year in the *Resourcing* division, with a clear increase in demand in the *Services* division. At GFT AG, the utilisation ratio of productive employees in billable customer projects was of 72 % in 2005, and exactly matched the previous year's level.

Revenue according to segments



The allocation of revenues according to segment for the GFT Group resulted in a shift from the *Resourcing* to the *Services* segments.

With € 77.4m. (prev. year: € 74.9m.), the *Services* division registered a revenue share of approximately 64 % of total revenue, compared to 60 % in the previous year. Thus, revenue increased by € 2.5m. over the previous year. When taking into account the sale of the GFT Systems GmbH, HV-Service and GFT Media divisions, an increase

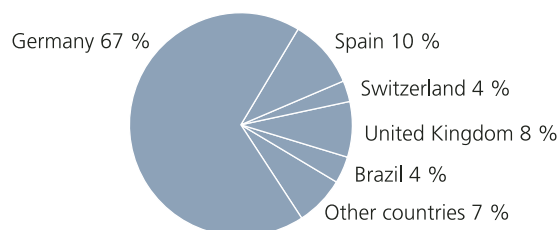
in segment revenue of € 5.5m. or 8 % results on a comparable basis. Our local companies in Germany, Spain, and the newly-founded GFT AG branch office in France positively contributed to the revenue growth of the *Services* segment. The increase in revenue was basically borne by clients from the Financial Services branch.

In the *Resourcing* segment, revenue for the reporting year amounted to € 38.0m. (prev. year: € 44.2m.). This corresponds to a revenue share of approximately 31 % of Group revenues, compared to 35 % in the previous year. This decline in revenue in comparison to the previous year amounted to € 6.2m. or 14 %. The reason in this case is a major client who consistently carried out IT projects with selected strategic suppliers, and at the same time reduced the services of non-strategic IT suppliers. This illustrates an advantage of our business model, in which altered demand from the customer's side is expressed not necessarily through revenue losses, but rather through revenue shifts within the segments. This shift has a slightly positive influence on results, since the margins in the *Services* division are higher than in *Resourcing*.

Revenues in the *Software* segment declined: Compared to € 6.4m. in the previous year, revenues of only € 5.6m. could be achieved in this reporting year, corresponding to a decline of 13 %. However, it was possible to match the previous year's relative revenue share of approximately 5 %. Investments in new products in the *Software* segment, particularly in the Business Process Management product line, allow us to forecast increasing division revenues for 2006.

The shift of segment revenues here described, from *Resourcing* to *Services*, essentially concerned GFT AG, since the entire *Resourcing* division was a component of GFT AG in 2005.

Revenue according to countries



The allocation of revenues according to countries barely changed in comparison to the previous year. With € -81.4m. (prev. year: € 84.4m.) the GFT Group again achieved approximately 67 % of the total revenue in Germany in 2005. The *Services* segment achieved clear revenue gains in comparison to the previous year in Germany. Once again, Spain registered approximately 10 % of Group revenues, and Switzerland achieved almost 4 %. United Kingdom, which lost 4 percentage points in 2005 following an extraordinarily good previous year, generated a revenue share of 8 %. Here, business with our largest local existing customer was affected by internal cost-reduction measures. This resulted in intensified distribution expenses. Through this investment on the part of GFT, the assumption of ever-larger revenue shares should be guaranteed with the existing customer, and ensured through long-term contracts. In 2006, we are expecting increasing revenue once again in United Kingdom.

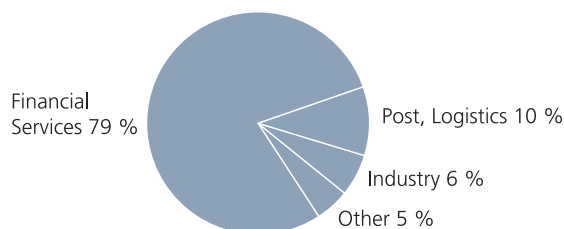
Revenues in Brazil, which we are reporting separately for the first time, have achieved a share of approximately 4 % and amount to € 4.6m. (prev. year: € 0.9m.) for the reporting year. This reflects local business with Brazilian customers, since no services were performed for European customers from Brazil during the 2005 business

year. This will be more strongly the case in 2006, and will be made possible locally through our new company in Brazil.

Business with customers in other countries, including France, Italy, Austria, Hungary, and the U.S. are gaining increasing importance for us. In 2005, their share of revenue amounted once again to 7 %, wherein Brazil was still included in the previous year. France especially achieved positive revenue gains, from € 0.2m. in the previous year to € 0.8m. in the reporting year, thanks to the newly-founded GFT AG branch office. Here, the operating activities of local customers in our target industries could already be acquired in the first full year, such that we can also assume increasing revenues for the future.

Almost exclusively, GFT AG achieved its revenue domestically.

Revenues according to industries



The distribution of revenues according to industries has slightly shifted, in favour of the industries which we have increasingly concentrated on from our dominant *Services* segment. The continuous sale of peripheral activities has strengthened this effect. We achieved approximately 79 % of total revenue, two percentage points more than in the previous year, from finance and insurance companies. Ten percent could be attributed to post and logistics

service providers, up from 8 %. The share of revenue achieved from industrial customers has decreased accordingly, now totalling approximately 6 %, compared to 9 % in the previous year. The share of other revenue, which also includes the Public Sector and Consumer Product industries, fell from 6 % to 5 %.

This same trend is mirrored at GFT AG. In our *Services* segment, we were able to achieve clear revenue gains in the financial and post services industries, while revenues for industrial and other branches declined. In the financial services sector, the successful expansion of our Nearshore production model contributed, in essence, to the increase in revenue from our regular customers. The conclusion of long-term contracts and our positioning as a strategic supplier had a positive effect in this case.

Other operating income

Other operating income for the GFT Group dropped from € 4.6m. in the previous year to € 4.3m. in the reporting year. As in the previous year, the largest individual item amounting to 1.5m. concerns the release of provisions (prev. year: € 2.6m.). The income from the sale of GFT Media of € 0.7m., and from the sale of HV-Service of € 0.4m., is also included.

At GFT AG, other operating income declined from € 6.5m. in 2004, to € 5.6m. in this reporting year. The largest individual item is the income from administrative expense allocations for payment of Group-wide service functions in the amount of € 3.1m. (prev. year: € 2.7m.). The above-mentioned income from the sales of GFT Media and HV-Service are a part of GFT AG's other operating income.

Cost structure

Cost-revenue ratio could be further improved in 2005, something which can be attributed, among other things, to our continuous cost-reduction measures. While the

decline in revenues for the Group totalled 3.7 % less than in the previous year, the expenditure items declined disproportionately by 6.5 %, or € 8.6m. The main cost reductions concerned purchased services (€ -3.5m.), other operating expenses (€ -3.2m.), and amortisation of goodwill and fixed asset depreciations (€ -2.9m.).

Despite the increase of overall performance at GFT AG by 5.3 %, it was also possible to reduce the total of the expense items by 0.6 %, or € 0.5m.

Cost of materials

It was possible to reduce the cost of materials for the Group by 6.7 % to € 47.6m. in 2005 (prev. year: € 51.0m.). This was the result, almost exclusively, of a marginal acquisition of freelance employees for the *Resourcing* business.

GFT AG posted a slight increase of 0.6 % in material costs, to € 51.3m (prev. year: € 51.0m.). Here, the declining purchases by *Resourcing* were compensated for with higher internal purchases from Spain, for the implementation of the Nearshore model with our largest existing customer.

Personnel expenses

Personnel expenses at the GFT Group increased by 1.9 % to € 57.4m. (prev. year: € 56.4m.) despite a slightly declining number of employees. Salaries and wages increased more sharply than the social security contributions. This development points up the gradual wage adjustment process for the Nearshore production centres with sustained labour cost increases. It is all the more important for the GFT Group to continue to spur on the economic offshore production capacities.

At GFT AG, personnel expenses increased by 1.7 % to € 19.8m. (prev. year: € 19.5m.). This increase is the result of our concentration at home on high-value sales, consultation and IT architectural services.

Depreciations and other operating expenses

At the GFT Group, the depreciation of intangible and tangible fixed assets clearly decreased by 70 % to € 1.3m. (prev. year: € 4.2m.). In the year under review they concerned the depreciations of tangible fixed assets almost exclusively. While the previous year still included € 2.5m. in depreciations of goodwill, no more goodwill depreciations were accrued in 2005, pursuant to IFRS 2 and IAS 36.

At the GFT Group, the depreciation of intangible and tangible fixed assets also decreased from € 0.8m. to € 0.5m. Here, as in the previous year, no unscheduled items are included.

The Group's other operating expenses dropped by 15 % to € 17.6m. (prev. year: € 20.8m.). Within the scope of our forceful belt-tightening measures, operating expenses fell by € 0.6m. to € 5.6m., distribution expenses by € 0.8m. to € 6.5m., and administrative expenditures by € 0.5m. to € 4.7m.

At GFT AG as well, it was possible to reduce other operating expenses. They amounted to € 9.5m., a total of € 0.9m. below the previous year's value of € 10.4m. The most important savings resulted from low costs for office

and workshop space, as well as from legal and consultation costs.

Financial result

At the GFT Group, the financial result of € 0.2m. was slightly higher than in the previous year (€ 0.16m.). Interest of € 0.8m. (prev. year: € 0.5m.), primarily from fixed-interest securities, offset depreciations of financial assets and securities of € 0.5m. (prev. year: € 0.3m.). The depreciations of financial assets concerned essentially non-capitalised losses from low-risk, fixed-interest securities.

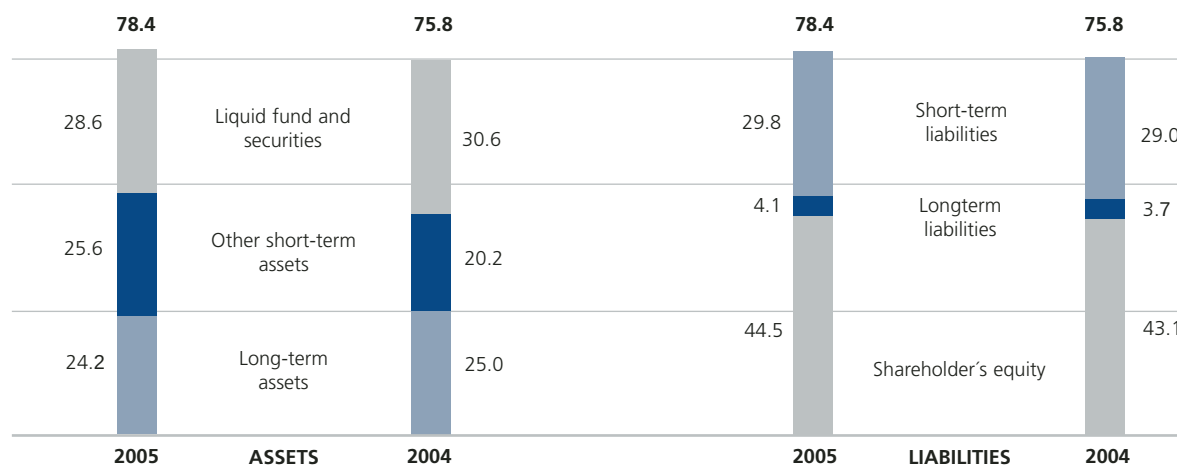
The financial result for GFT AG increased from € 1.2m. to € 1.7m. GFT AG was able to achieve interest of € 0.7m. (prev. year: € 0.4m.), and investment income of € 1.5m. (prev. year: € 1.7m.). This was countered by depreciations of financial assets and securities of € 0.5m. (prev. year: € 0.8m.).

Earnings position

Earnings before taxes, the main internal taxation variable of the GFT Group, improved by € 3.8m. In the reporting year, it amounted to € 1.6m., compared to € -2.2m. for the previous year. The net profit ratio of the pre-tax results amounted to 1.3 %, compared to -1.7 %. As in

Balance sheet structure 2004 – 2005

€ million



the previous year, earnings improved throughout the course of the year. While earnings before taxes of € 0.2m. were achieved in the first half of the year, during the second half of the year the earnings increased to € 1.4m. As planned, a positive pre-tax result was obtained for all quarters.

The improvement of the operating results can be attributed to the markedly improved earnings position of the *Services* segment. The segment's result totalled € 3.0m., compared to € -1.5m. in the previous year. The Financial Services divisions in Germany, Spain and Brazil, and the Post and Logistics divisions in Germany and United Kingdom fundamentally contributed to this result. Successful and profitable major projects were handled in this case. We are assuming that this positive development will continue into 2006, through long-running contracts. Start-up investments had to be borne in France. We are assuming a positive operating result in 2006 thanks to clear increases in sales during the first year of operating activity. The companies in Switzerland, Austria and Hungary were operationally negative. In Switzerland, the term for deficit projects was extended, with the result that it was not possible to adjust project-related provisions at the scope projected by the end of the year. In Austria and Hungary, sinking prices and a small workload caused operative losses. The Director of the subsidiaries in Austria and Hungary left the GFT Group during the first quarter of 2006.

In the *Software* segment, the segment result of € -0.5m. worsened to € -0.7m. On the one hand, this was contingent upon lower segment revenues in comparison to the previous year; on the other hand, it reflects continuous investments in the development of new products. The negative segment results were basically influenced by the negative operative result of GFT Solutions GmbH.

The positive contribution to results of the *Resourcing* segment declined from € 2.3m. to € 0.7m. in the reporting

year. This decline resulted from lower sales and margins with our major clients, which we are counteracting through a targeted expansion of new customer business. The expansion of new customer business was delayed during the reporting year by transactions that took longer than expected. We are assuming that the start-up investments for this segment's new customer business will pay off in the current business year.

GFT AG was also able to improve its earnings position in comparison to the previous year. The earnings before taxes totalled € 2.8m., compared to € -1.1m. in the previous year. While during the first half of the year the operative business was still burdened by overdrafts in the case of fixed-price projects, as well as by lower revenues than planned, the Financial Services, Post and Logistics divisions developed positively in the second half of the year. The industries business unit was characterised by declining sales during the entire year and by a negatively operating contribution to results.

The dividends of Iberia Solutions S.A. in the amount of € 1.5m. had a positive effect on the holding functions area of GFT AG. In the previous year, investment income for affiliates still amounted to € 1.7m. Income from the sold divisions HV-Service and GFT Media also had a positive effect on the holding results. In contrast, write-offs against GFT Technologies (Switzerland) AG, GFT Solutions GmbH and GFT Technologies GmbH (Vienna), burdened the earnings of GFT AG with € 1.5m. (prev. year: € 0.3m.).

In the reporting year, taxes from income and earnings for the GFT Group totalled € 0.5m. (prev. year: € 1.7m.). The tax rate at the GFT Group amounted to 33 %. The annual net income improved by € 4.9m. to € 1.1m. (prev. year: € -3.8m.).

At GFT AG, the annual net income totalled € 2.8m., compared to € -1.2m. in the previous year.

5 Financial position

Financial position of the group

The financial position of the GFT Group continues to be very stable. As of 31 December 2005, the cash balance and the cash at banks amounted to € 20.7m., compared to € 20.5m. for the same time period in the previous year. Together with securities, the Group had € 28.6m. of liquid assets at its disposal. These were not countered by any significant short or long-term financial liabilities.

The cash flow from operating activities totalled € -0.8m., compared to € -3.9m. in the previous year. This improvement especially touches upon the positive results as well as the increase of other liabilities. The demand for longer payment terms by customers in the United Kingdom, Spain and Germany had a negative effect that led to an increase in trade receivables.

The cash flow from investing activities totalled € 1.0m., in comparison to € -8.1m. in the previous year. Investments in tangible fixed assets of € 0.8m. slightly outperformed the previous year's level (€ 0.7m.). During the reporting year, more securities were converted into cash, resulting in a positive account balance from cash investments of € 2.0m. (prev. year: € -7.6m.).

The cash flow from financing activities was marginal and amounted to € -0.01m. for the Group (prev. year: € -0.3m.).

Financial position of GFT AG

As of 31 December 2005, the cash balance and the cash at banks for GFT AG amounted to € 16.2m., thus underperforming the previous year's value of € 17.3m. Despite positive results for the accounting period, the cash flow from operating activities was negative at € -2.7m. (prev. year: € -2.0m.). As with the Group, an increase in trade receivables of € 2.4m. to € 6.8m. (prev. year: € 4.4m.), was also registered by GFT AG. During the same time the

previous year, GFT AG had at its disposal exceptionally high customer payments in the amount of € 5.8m. At the end of the reporting year, these were € 3.9m. lower, totalling € 1.9m.

In the case of cash flows from investing activities, a similar picture emerges as with the Group: While the investments in tangible fixed assets performed slightly above the previous year's level (€ 0.4m., prev. year: € 0.3m.), a positive accounting balance resulted from the cash investments, so that the cash flow from investing activities totalled € 1.6m. (prev. year: € -8.8m.).

The cash flow from financing activities totalled € 0.02m. (prev. year: € -0.01m.).

The GFT Group and GFT AG were in a position, at all times, to fulfil their payment obligations.

6 Net assets

Group net assets

Net assets of the GFT Group grew by € 2.5m. to € 78.4m. This increase on the assets side can essentially be attributed to higher trade receivables.

Long-term assets were reduced by € 0.9m. to € 24.1m. (previous year: € 25.0m.). On one hand this resulted from a € 0.3m. reduction in tangible assets. On the other hand deferred tax assets were reduced by € 0.7m. through utilisation of loss carry forwards. Goodwill remains virtually unchanged at € 15.3m. In accordance with IFRS 3, for the first time in the year under review, goodwill is no longer subject to scheduled depreciation; rather it is subject to an annual impairment test.

The increase in short-term assets was essentially due to higher trade receivables of € 22.6m. (previous year: € 17.7m.). Also other assets increased by € 1.4m. to

€ 2.2m., particularly due to higher VAT refund claims and other tax assets, as well as receivables associated with the sale of GFT Media. This is offset by a € 2.2m. reduction in securities holdings to € 8.0m.

The increase in equity from € 43.1m. to € 44.5m. is due to net income (€ 1.1m.) and market valuation of the stock (€ 0.2m.). For the first time in the year under review, in accordance with IAS 39 the "Available for sale financial assets" are no longer considered in the income statement in a manner that affects earnings, rather they are recognised directly in equity. The equity ratio remained unchanged at 57 %.

Long-term debt grew from € 3.8m. to € 4.1m. representing an increase of € 0.3m. The essential influence factor was a long-term deposit of € 1.3m. received from a customer. Short-term debt grew from € 29.0m. to € 29.8m.

The solid structure of the GFT Group balance sheet is also confirmed by a high equity to fixed assets ratio. Long-term assets of € 24.1m. (previous year: € 25.0m.) are covered 184 % through equity, in the previous year this key indicator was 172 %.

Net assets of GFT AG

In contrast to the GFT Group the balance sheet total of GFT AG declined. It dropped by € 1.9m. from € 48.5m. to € 46.6m.

On the assets side this was primarily due to a reduction in current assets. Here the decline in work in progress, securities, as well as the decline in cash balance, were greater than the increase in receivables. Cash balance, as well as bank credit represent the largest assets at € 16.2m., as in the previous year.

Non-current assets declined insignificantly from € 10.4m. to € 10.3m. primarily due to a reduction in property, plant

and equipment. Equity interests in affiliated companies remained at € 9.1m. as in the previous year.

The equity ratio improved significantly from 47 % to 55 %. The growth in equity by € 2.8m. corresponded to net income, which was € 25.4m. on the balance sheet date (previous year: € 22.6m.).

The provisions essentially declined due to consumption of other provisions by € 0.3m. to € 6.9m. (previous year: € 7.2m.).

Liabilities were reduced by € 4.4m. to € 14.2m. (previous year: € 18.6m.). Here lower deposits received on orders, as well as lower liabilities to affiliated companies had an influence.

7 Employees

As of 31 December 2005 the GFT Group employed 981 employees, 58 fewer than were employed at the end of the previous fiscal year. Due to the sale of the HV-Service and GFT Media divisions, the number of employees was reduced by 25 in 2005. At 1,010 the average number of employees represented an increase over the previous year's average of 952. The proportion of employees stationed outside of Germany grew from 70 % to 72 % by the end of 2005.

At the end of 2005, 212 employees were permanently employed at GFT AG, 34 fewer than were employed on the balance sheet date for the previous year.

8 Research and development

In the year under review we invested € 5.4m. (previous year: € 5.8m.) in research and development. At 4.5 % of

revenue this figure remained virtually constant. The majority of these investments involved personnel expenditures.

In the first half we concentrated on process innovations. In concrete terms, we continued to extend our software and system development procedure in accordance with the internationally recognised CMMI standard (Capability Maturity Model Integration). Based on the CMMI methodology we defined processes for planning, execution, and management of projects, as well as procedures to assure process quality, and we trained our employees in these processes and procedures. The independent Software Engineering Institute (SEI) confirmed that our production units satisfy the rigorous CMMI Level 2 requirements. We achieved CMMI Level 2 certification in Germany on 22 April 2005, and we have been CMMI Level 2 certified in the UK and in Spain since 24 June 2005.

Moreover development of our software product family was continuously driven with document-based and process-based workflows oriented to market and customer requirements.

We also focused on development of internal applications designed to help us keep our know-how on the cutting edge. This included establishing an E-learning platform, as well as a collaboration platform that we also use for online customer training.

We avail ourselves of internal as well as external competencies to drive innovation, extend our product and service portfolio, and to develop new markets and applications. Consequently we invest in partnerships with selected technology providers, research organisations and educational institutions.

9 Risk report

As an international IT service provider GFT is confronted with a number of entrepreneurial opportunities and risks. Our entrepreneurial decisions are based on the principle of recognising opportunities early on, weighing the attendant risks, and comparing both with our corporate strategy. We thoroughly analyse opportunities and pursue them, if they are in harmony with our corporate strategy, allow expectations of significant benefits for the group, and if shareholder value can thus be increased. Possible negative effects associated with the opportunities must remain controllable in this process so that any possibility of placing the existence of the company at risk is excluded.

Consequently the risk management system is a fixed component of corporate management and is integrated as such in the relevant decision making processes.

9.1 Risk management at GFT

The objective of risk management is to identify potential risks early on, monitor these risks, and minimise them through suitable containment measures. GFT Group risk management makes it possible to deal with risk systematically and efficiently. Direct responsibility for identifying and managing risks rests with members of the Executive Board and Managing Directors of Group companies, as well as with personnel responsible for processes and projects. These parties familiarise their employees with the risk management system that is formulated in detail in the Risk Management Manual, which is available to all Group employees. One of the Group's priorities is to ensure that each individual contributes to identifying opportunities and risks, and reacts appropriately.

Our risk management system includes planning processes, information and management processes, as well as control procedures. Consequently risks are analysed and evaluated regularly. Risk analysis and evaluation is based on a hierarchy-overlapping reporting structure with a defined procedure. In parallel analyses and reports on GFT Group financial situation are created periodically. Regular meetings of the GFT governing bodies ensure an optimal exchange of information between operative and central divisions over all levels and countries. If our assessment of a risk situation changes then specified processes go into effect in order to initiate suitable measures as quickly as possible. If risks occur suddenly then the risk coordinator is available to all employees as a central contact point. The Risk Coordinator is reachable at all times, thoroughly familiar with the risk management process and can interact accordingly.

We have defined uniform risk groups in all Group companies and draw distinctions between external, operational, financial, and organisational risks. External risks can arise from the economic environment, industry development, competitive situation, technological progress, as well as the capital market. The GFT Executive Board and the Risk Management Steering Committee monitor these areas. Group Controlling, the Investor Relations team, and personnel responsible for sales and production support the Executive Board and the Steering Committee in their task. Software project realisation can hide operational risks. GFT has formulated and implemented a "Software Development Policy" that is valid throughout the Group. This policy is binding for all Project Managers and defines organisational requirements and the sequence of IT projects. In the monthly meeting of the Financial Counsel the relevant fiscal parameters such as revenue, results, and

liquidity trends are planned, analysed, and evaluated. Organisational risks include the hazards in the areas of personnel, information technology, and general organisation. These risks are monitored and managed by the responsible division managers.

The structure and the function of the early warning system are audited as part of the annual audit. The internal audit manager performs audits of individual group companies and projects as well as special audits. We allow the findings obtained through these two control instances to flow into the risk management system in the interest of continuous improvement.

9.2 Business risks

The business environment of GFT is influenced by general economic conditions, as well as by market conditions in the information technology industry. If there are uncertainties in the economic and political environment, then these uncertainties can affect willingness to invest in IT services and software products and make our forecasting processes more difficult. Moreover the IT market is characterised by intense competition, particularly relative to pricing and the quality of service. Because information technology develops at a rapid pace we must observe the market intensively and continuously develop innovative solutions in order to take the needs of our customers into account in a future-oriented manner.

As the risk structure in the three main business segments of GFT – *Services*, *Software*, and *Resourcing* – varies depending on the spectrum of services, we consider the risks of future development separately for each of our segments.

9.2.1 Services

Market risks and competitive risks

For 2006 experts from the EITO industry association (European Information Technology Observation) forecast healthy growth for the IT services market. In Germany, a growth rate of 4.5 % is expected, the number is 5.4 % for Europe. We assume that IT expenditures in the financial services industry, which is the area we particularly concentrate on in the *Services* segment, will be higher than the average. Should we fail in consistently tapping this potential then this failure could negatively influence the revenue and earnings development of the GFT Group or specific subsidiaries. With our strategy that is focused on industry-specific as well as technological competencies, we are both flexible enough to consistently exploit these opportunities, and we have a broad enough base to react to economic fluctuations and short-term technology trends.

In the *Services* segment, GFT is confronted with strong national and international competitors, some of whom are larger and have more extensive development resources, in India for instance. Close and long-standing customer relationships with our major clients, combined with experience gained from successful implementation of complex IT projects in our target industries provide us with a solid basis, for acquisition of new projects. Our international production combine, which we extend on a continuous basis, offers cost advantages to our customers. Thanks to the possibility of selecting from onshore, nearshore, and offshore development we can match our project offering precisely to the customers' needs. A considerable share of our revenue is generated from our

extensive base of existing customers; over the years we have become very familiar with these customer's IT environments. In some cases we have secured these revenues with long-term contracts.

Project risks

Due to the high share of GFT Group total revenue that is generated by the *Services* segment, our earnings situation essentially depends on the ability to implement high quality IT projects on budget and on schedule, as agreed. In the IT industry, frequently large and complex projects are awarded based on a proposal phase that is characterised by intense competition. Profit margins in fixed-price contracts can vary from original estimates during the runtime, due to unexpected technical problems or unforeseeable developments. Financial risks can arise from contractual assurances relative to price, completion date and scope of service. To prevent these risks GFT has worked out detailed and binding specifications for proposal preparation, project management and quality management. In this regard we proceed in accordance with the internationally recognised Capability Maturity Model Integration (CMMI). Introduction of CMMI has shown that these measures make a decisive contribution in reducing technical problems, as well as budget and schedule overruns.

Dependency on major clients

In the year under review revenue growth in the *Services* segment was essentially due to the largest customer, Deutsche Bank. Revenue with this customer, which we were able to grow by 7 % in 2005, made up 48 % of the *Services* segment figure. Cautious demand from the Deutsche Bank could have a negative effect on revenue and earnings trends. Long-term contracts, intensive custo-

mer care on the Executive Board level, as well as focused account management safeguard these high revenue shares and associated cash flow fluctuations. Thanks to a large project acquired in November 2005, which GFT will realise over the next two years for a leading Brazilian provider of financial services, the Deutsche Bank share of total *Services* segment revenue will decline noticeably.

9.2.2 Software

Market risks and competitive risks

EITO experts expect growth of approximately 5.5 % over the previous year for the software market in Germany. Our subsidiary, GFT Solutions GmbH, has been an experienced provider in the market since 1989 with GFT *hyparchiv*, one of the first electronic archive solutions, however it faces fierce competition from a number of larger and smaller providers. We view the numerous successful installations in a wide variety of industries as a gauge of our experience and reliability, as well as of the trust and the satisfaction of our customers. This is a mature product that requires functional extensions and modernisation on a constant basis. In this regard we use our development capacities in India and thus can offer the GFT *hyparchiv* product family at a competitive price. In addition to Germany, we see particular growth potential for electronic archiving and document management in Switzerland and in Eastern Europe.

Last year with GFT *inspire*, GFT Solutions GmbH increased its investment in a new product in the area of Business Process Management, which serves as the basis of a high-performance platform for complete automation of standardised business processes. Our optimistic assessment of

the growth for this entire sector is based on the outstanding market potential that this product represents. Here it remains to be seen how GFT *inspire* proves itself in practice and whether we are capable of fully tapping the market potential. The experiences gathered from initial installations and projects give us confidence.

When evaluating the risks associated with the *Software* segment the fact that segment only contributes 5 % to the total revenues of the GFT Group must be considered. In addition, the software products are frequently used to open the door to product-related projects in the *Services* segment.

9.2.3 Resourcing

Market risks and competitive risks

As far as growth potential in the *Resourcing* segment is concerned, we assume that the trend among large companies of consolidating the IT suppliers will continue, and even intensify. An increasing number of large companies place value on uniform, and at the same time streamlined, processes and do not consider the sourcing of non-strategic service providers to be a core function of the enterprise. A growing demand for third-party management solutions is manifest. Also the market environment is currently friendly for the resourcing of external IT specialists. Particularly given the background of an overall economy that continues to grow at a moderate rate, companies first deal with manpower bottlenecks by filling vacancies with external specialists that can be engaged on a flexible basis, before hiring their own employees. Should GFT not succeed in profiting from this favourable market environment then this could affect the revenue

and earnings trends of the GFT Group. As GFT does not enter into employment contracts with external service providers, but rather only concludes limited contracts for the duration of the deployment as commissioned by the customer, fast and flexible reaction is possible to the changed determining factors, even in event of declining demand.

GFT will gain significant market share in Germany and France due to acquisition of the Resourcing Solutions division of the Parity Group in January 2006. In Germany GFT is now one of the leading providers of third-party and resource management.

Dependency on major clients

Similar to the situation in the *Services* segment, GFT has a very homogenous customer structure in the *Resourcing* segment as well. In this case the largest customer is again Deutsche Bank with an approximate 82 % share of Group revenue in 2005. A drastic reduction in demand for external IT specialists on the part of Deutsche Bank would have a negative effect on revenue and the earnings for the entire GFT Group. Overall the customer structure has significantly broadened in Germany and France with acquisition of the Resourcing Solutions division of the Parity Group. Dependence on Deutsche Bank as a major account has been reduced significantly by this measure. Moreover in the course of 2005 as well as in the past few months we have been able to acquire

additional customers in the financial services industry that represent significant revenue and earnings potential.

Integration risk

Should GFT not be successful in quickly integrating the Parity companies acquired in January 2006 into the *Resourcing* segment, and using the available synergy potential then this could affect the revenue and earnings situation of the segment. The Executive Board has appointed a steering committee to manage and oversee the integration process, and check the progress of integration activities weekly based on a detailed project plan.

9.3 Personnel risks

For GFT as an international IT service provider, know-how, willingness to work, and flexibility on the part of employees are the decisive factors for success. GFT could lose valuable knowledge and experience through fluctuation, and as a consequence lose market advantages. We have established attractive remuneration systems, as well as qualification and further training programs designed to meet employee's needs, as employee retention measures. Our objective in this regard is to achieve a high level of employee satisfaction.

Employees who deal with confidential data or insider information obligate themselves in writing to handle such information confidentially and to comply with legal and internal guidelines.

9.4 Technological risks

GFT's business in the *Services* and *Software* segments is subject to rapidly advancing technological development. Failure to take advantage of decisive trends would place our position as technology and innovation leader in jeopardy. In order to prevent this situation we have organised a dedicated department, the Technology Group. Its responsibility is to observe the market, and to analyse and evaluate technological trends. In addition this department performs regular audits throughout the entire group and ensures that uniform technology standards are established.

Risks relative to the reliability, availability, and efficiency of our IT systems are countered via constant monitoring and adaptation measures. Various technical and organisational measures ensure availability, integrity, and confidentiality of our data and IT systems. These measures have virtually eliminated the possibility of unauthorised access and significant data loss. These measures include an extensive security concept and emergency planning, but we also employ technical protective measures such as data backups, access protection, network monitoring, virus scanners, and firewall systems. Qualified internal experts are responsible for servicing and optimising our IT infrastructure.

9.5 Financial risks and foreign currency risks

The risk management system also includes risk management relative to financial instruments. Here we pursue the goal of minimising risks associated with financial instruments through continuous risk identification, evaluation and elimination, particularly where receivables and liabilities

are concerned. Essentially the receivables are from major providers of financial services so that the risks of non-payment are concentrated on major clients; however these risks are assessed as minimal. Open and past due receivables from major clients are reported to the Chief Financial Officer and to the respective customers on a monthly basis.

Our operative business is associated with interest rate risks, foreign currency risks, and liquidity risks, which we counter with active treasury management. Approximately 5 % of our business is billed in foreign currency; consequently we check the need for currency hedge funds on a case-by-case basis. In 2005 such measures were not employed. Basically foreign exchange effects that arise due to translation of balance sheet items and that are not cash-relevant are not hedged. The interest rate and liquidity management that is set-up medium-term and long-term is centrally managed. We use derivative financial instruments that are authorised by the Executive Board on a case-by-case basis to hedge our variable-rate interest bearing financial investments against negative interest rate effects. At year end GFT had one interest rate swap.

9.6 Legal risks

In the course of its business activity GFT incurs liability risks, particularly due to warranties. If projects require specific deviations from, or adaptations to standard contracts, then our legal department must approve such deviations or adaptations. If the customer submits his own contracts then such contracts are reviewed and negotiated by our legal department.

9.7 Overall risk assessment

The risk situation of the GFT Group is stable. The risks identified are manageable and do not place the continued existence of the company in jeopardy. Currently there are no discernible risks that could jeopardise the continued existence of the company in the future.

10 Supplementary report

On 31 January 2006, GFT acquired the operative Resourcing Solutions division from Parity Group plc in Germany and France. This acquisition involves five companies that employ 40 employees overall that achieved revenue of € 43m. in 2005 with a solid customer base. Thus we are extending the existing *Resourcing* segment and accelerating establishment of our business in France.

On 10 February 2006 GFT AG acquired all shares of GFT Business Development GmbH in Eschborn, which is not yet operative, to handle future foreign activities.

In February 2006 the ownership structure of GFT AG changed. In the course of a re-placement Deutsche Bank reduced its stake in GFT to less than 5 %. This was used by KST Beteiligungs AG, which now holds a direct 7.06 % stake in GFT AG. International institutional investors purchased additional shares. The free-float of GFT AG has increased to 57.23 %.

11 Prognosis report

The economic barometer continues to indicate an upward trend; the leading experts are unified in this regard. However it can be assumed that the growth tempo which to this point has been relatively high, will be slowed somewhat due to rising oil prices and possible interest rate increases. In Europe a moderate acceleration in the growth rate should prevail. There are many indications that Germany and the other GFT markets will also profit from these dynamics.

We rely on forecasts published by the industry associations BITKOM and EITO for the European IT market. These organisations expect growth of 5.4 % or 5.0 % for the market-driving IT Services and Software segments. Our chances particularly are associated with over-proportionally profiting from this trend by specialisation in high-growth industries.

We are planning for organic revenue growth of 10 % in the *Services* segment. We are planning for 20 % growth in both the *Resourcing* and *Software* segments. Moreover the companies acquired from Parity will contribute revenue to the Group starting in February 2006. Our overall revenue goal for 2006 is € 170m. It can be assumed that revenues will continue to grow by the next four quarters.

We will continue our proven cost management processes without limitation. This allows us to expect that profits

will significantly increase. In the personnel-intensive *Services* and *Software* segments the attractive revenues will have a positive effect on earnings. We are projecting an operating margin of at least 3 % before taxes for 2006, including the new business units in the *Resourcing* segment. According to our plans results will grow from quarter to quarter.

In the financial year 2006 we want to further intensify our focus on the financial services, insurance, post and logistics sectors. In this regard we are also bringing specific strategic supplements that strengthen our service and customer portfolio into consideration.

The *Software* segment will source essential portions of product development from our Indian production location. We deploy the employees in Germany specifically in

sales, as well as in consulting and system implementation at our customers' sites.

In the *Resourcing* segment as part of the integration of the newly acquired companies, we use the existing cross-selling potential and rely on focused revenue growth. Here we want to participate over-proportionally in the current attractive growth rates for provision of freelance IT specialists.

With increasing revenues and margins our strategy is aligned to directly address the growth potential projected for the next few years. Moreover we want to reinforce establishment of our extended service portfolio internationally as well as domestically in Germany, and sustainably anchor our company as the "Engineers of IT" for our customers, partners and shareholders.

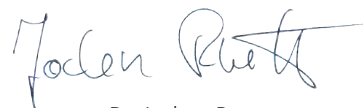
St. Georgen, 6 March 2006
GFT Technologies Aktiengesellschaft
The Executive Board



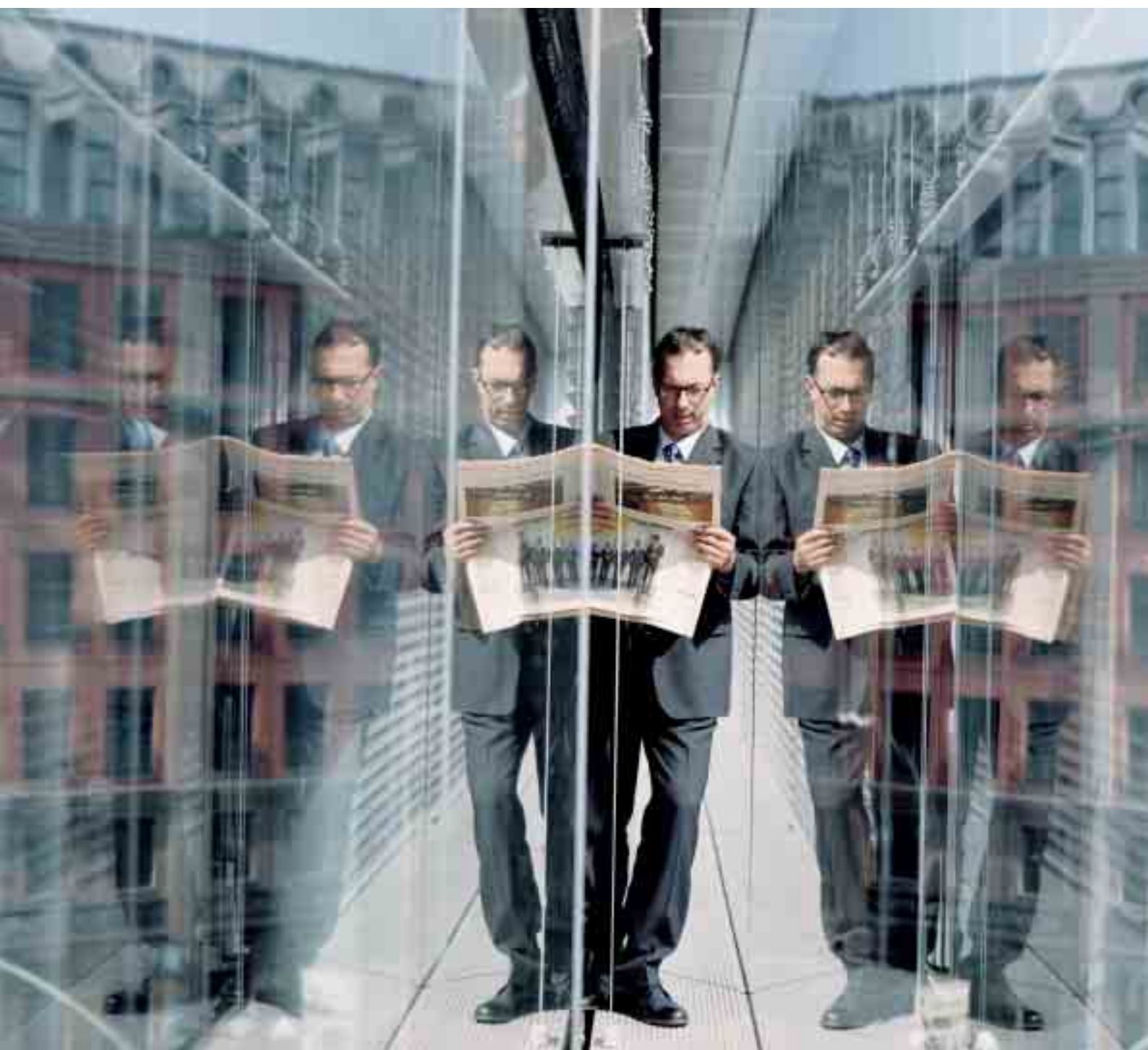
Ulrich Dietz
Executive Board (Chairman)



Marika Lulay
Executive Board



Dr. Jochen Ruetz
Executive Board



Group Financial Statements

Consolidated Balance Sheet	66
Income Statement	68
Group Cash flow Statement	69
Statement of changes in group equity	70
Notes to the Consolidated Statements including Changes in Group fixed assets	72
Auditor's report	111



Consolidated Balance Sheet (IFRS)

as of 31 December 2005

Assets	Notes	31/12/2005 €	31/12/2004 €
Long-term assets			
Intangible assets			
Licences, industrial property rights and similar rights and values	(7)	382,077.51	405,967.70
Goodwill	(7)	15,347,712.05	15,282,665.61
		15,729,789.56	15,688,633.31
Tangible assets / property, plant and equipment			
Other equipment, office and factory equipment	(8)	2,478,672.05	2,784,234.17
Financial assets			
Investments	(9)	0.00	0.00
Other assets	(12)	246,274.66	226,078.07
Claims to deferred tax assets	(16)	5,655,394.92	6,338,718.16
		24,110,131.19	25,037,663.71
Short-term assets			
Inventories	(11)	135,587.26	193,514.19
Trade receivables	(11)	22,647,276.19	17,737,673.96
Securities	(13)	7,996,004.68	10,165,460.46
Ongoing claim to income tax	(16)	617,924.77	1,443,377.98
Cash and cash equivalents	(13)	20,652,062.51	20,472,430.62
Other assets	(12)	2,199,463.67	777,605.46
		54,248,319.08	50,790,062.67
		78,358,450.27	75,827,726.38

Liabilities	Notes	31/12/2005 €	31/12/2004 €
Equity			
Equity share imputable to the stockholders of the parent company			
Share capital	(14)	26,325,946.00	26,325,946
- Conditional capital € 8,280,000.00 (last year: € 8,280,000.00)			
Capital reserve	(14)	67,346,563.99	67,346,563.99
Revenue reserves	(14)		
Legal reserve		1,387.65	1,387.65
Other revenues reserve		2,343,349.97	2,343,349.97
Changes in equity not affecting results	(14)		
Currency translation adjustment		87,641.94	52,910.25
Market assessment for securities		181,250.00	–
Group accumulated deficit	(14)	-51,829,043.39	-52,958,512.85
		44,457,096.16	43,111,645.01
Minority interests	(14)	0.00	–
		44,457,096.16	43,111,645.01
Debts			
Long-term debts			
Provisions for pensions	(15)	820,394.00	777,147.00
Other provisions	(17)	1,314,982.41	1,755,224.09
Financial liabilities	(18, 19)	132,918.00	75,000.00
Other liabilities	(18, 20)	1,316,828.58	24,040.58
Deferred tax liabilities	(16)	499,675.24	1,124,935.39
		4,084,798.23	3,756,347.06
Short-term debts			
Other provisions	(17)	9,476,765.40	9,978,334.89
Current income tax liabilities	(16)	640,323.49	932,301.41
Financial liabilities	(18, 19)	10,332.00	5,807.49
Trade liabilities	(18)	10,261,121.35	10,627,219.52
Other liabilities	(18, 20)	9,428,013.64	7,416,071.00
		29,816,555.88	28,959,734.31
		33,901,354.11	32,716,081.37
		78,358,450.27	75,827,726.38

GFT Technologies Aktiengesellschaft, St. Georgen

Income Statement (IFRS)

for the period from 1 January 2005, to 31 December 2005

	Notes	2005 €	2004 €
Revenue	(19)	120,944,113.35	125,527,299.88
Other operating income	(21)	4,319,249.13	4,587,396.52
		125,263,362.48	130,114,696.40
Cost of materials			
a) Expenses for raw materials and supplies and for purchased goods	(22)	548,964.89	522,498.67
b) Costs of purchased services	(22)	47,002,456.55	50,467,780.62
		47,551,421.44	50,990,279.29
Personnel expenses			
a) Salaries and wages	(22)	48,088,344.09	47,071,938.10
b) Social security and expenditures for retirement pensions	(22)	9,380,132.12	9,347,113.92
		57,468,476.21	56,419,052.02
Depreciation of long-term intangible assets and of tangible assets	(23)	1,261,754.34	4,208,696.20
Other operating expenses	(24)	17,635,931.81	20,851,571.54
Result from operating activities		1,345,778.68	-2,354,902.65
Other interest and similar income	(26)	761,966.67	488,447.43
Depreciation on financial assets and on securities	(23,12)	496,300.00	250,537.09
Interest and similar expenses	(26)	32,653.62	77,770.94
Financial result		233,013.05	160,139.40
Earnings before taxes		1,578,791.73	-2,194,763.25
Taxes on income	(16)	514,368.71	1,671,167.47
Net income (last year: net loss)		1,064,423.02	-3,865,930.72
- apportionable to minority shareholders	(14)	0.00	56,532.23
- apportionable to minority shareholders of the parent company (consolidated profit)		1,064,423.02	-3,809,398.49
Loss carried forward from previous year		-52,893,466.41	-49,149,114.36
Group accumulated deficit		-51,829,043.39	-52,958,512.85
Net earnings per share – undiluted	(28)	0.04	-0.14
Net earnings per share – diluted	(28)	0.04	-0.14

GFT Technologies Aktiengesellschaft, St. Georgen

Group Cash flow Statement

as of 1 January until 31 December 2005

	2005 €	2004 €
Surplus (prev. year Net loss)	1,064,423.02	-3,865,930.72
Depreciation of long-term intangible and tangible assets as well as financial assets	1,261,754.34	4,290,857.62
Changes in Provisions	-1,815,802.24	-1,972,483.57
Other non-cash income/ expenses	496,300.00	907,922.19
Profit/loss from the disposal of long-term tangible and intangible assets as well as financial assets	-4,711.22	22,413.59
Changes in trade receivables	-4,909,602.23	-1,635,665.48
Changes in other assets	124,648.58	-327,503.15
Changes in trade liabilities and other liabilities	2,938,632.47	-1,310,547.65
Cash flows from operating activities	-844,357.28	-3,890,937.17
Paid-in disposals of tangible assets	87,358.30	35,559.93
Payments related to investments in tangible assets	-752,801.85	-708,774.54
Paid-in disposals of long-term intangible assets	62,500.00	–
Payments related to investments in long-term intangible assets	-324,647.26	-294,849.98
Investments in financial assets / changes in the scope of consolidation	0.00	-82,161.42
Sale of consolidated companies net of cash and cash equivalents disposed of	0.00	630,165.77
Acquisition of consolidated companies net of purchased cash and cash equivalents	0.00	–
Receipts in connection with the short-term financial management of cash investments	39,333,117.12	53,506,452.48
Payments in connection with the short-term financial management of cash investments	-37,369,961.34	-61,173,355.13
Cash flows from investing activities	1,035,564.97	-8,086,962.89
Cash proceeds from issuing bonds / loans	68,250.00	75,355.56
Payments related to repayments of bonds / loans	-5,807.49	-7,638.80
Other changes in equity and minority interest	-74,018.31	-335,144.23
Cash flows from financing activities	-11,575.80	-267,427.47
Change in cash funds from cash-relevant transactions	179,631.89	-12,245,327.53
Cash funds at the beginning of the period	20,472,430.62	32,717,758.15
Cash funds at the end of the period	20,652,062.51	20,472,430.62

GFT Technologies Aktiengesellschaft, St. Georgen

Statement of changes in group equity

as of 31 December 2005

	Subscribed capital	Capital reserves	Revenue reserves	
	€	€	Legal reserve	Other revenue reserves
	€	€	€	€
As of 31 December 2003	26,325,946.00	67,346,563.99	1,387.65	2,343,349.97
Deconsolidation GFT Systems GmbH				
Differences from currency translation of foreign subsidiaries				
Returns and expenses recorded directly in equity				
Net loss				
Total returns and expenses for financial year 2004				
As of 31 December 2004	26,325,946.00	67,346,563.99	1,387.65	2,343,349.97
Write-off of negative goodwill 1 January 2005 (IFRS 3.81)				
Adapted to 1 January 2005 version	26,325,946.00	67,346,563.99	1,387.65	2,343,349.97
Financial assets available for sale (securities)				
- Change of the time value to be attached recorded in equity				
- profit and loss statement				
Differences from currency translation of foreign subsidiaries				
Deferred taxes from changes in value directly balanced with equity				
Returns and expenses recorded directly in equity				
Net profit				
Total returns and expenses for financial year 2005				
As of 31 December 2005	26,325,946.00	67,346,563.99	1,387.65	2,343,349.97

Changes in equity not affecting results		Group accumulated deficit	Equity accumulated deficit	Minority interests	Total share capital
Adjustments from currency translations	Market assessment securities				
€	€	€	€	€	€
115,959.63	0.00	-49,149,114.36	46,984,092.88	328,627.08	47,312,719.96
				-272,094.85	-272,094.85
-63,049.38			-63,049.38		-63,049.38
-63,049.38	0.00	0.00	-63,049.38	-272,094.85	-335,144.23
		-3,809,398.49	-3,809,398.49	-56,532.23	-3,865,930.72
-63,049.38	0.00	-3,809,398.49	-3,872,447.87	-328,627.08	-4,201,074.95
52,910.25	0.00	-52,958,512.85	43,111,645.01	0.00	43,111,645.01
		65,046.44	65,046.44		65,046.44
52,910.25	0.00	-52,893,466.41	43,176,691.45	0.00	43,176,691.45
	290,000.00		290,000.00		290,000.00
	0.00		0.00		0.00
34,731.69			34,731.69		34,731.69
	-108,750.00		-108,750.00		-108,750.00
34,731.69	181,250.00	0.00	215,981.69	0.00	215,981.69
		1,064,423.02	1,064,423.02	0.00	1,064,423.02
34,731.69	181,250.00	1,064,423.02	1,280,404.71	0.00	1,280,404.71
87,641.94	181,250.00	-51,829,043.39	44,457,096.16	0.00	44,457,096.16

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

Basis of presentation

1. General information

The consolidated financial statements of GFT Technologies Aktiengesellschaft ("GFT AG") for financial year 2005 have been drawn up using Article 315a of the German Commercial Code, in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) London, valid on the balance sheet date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Significant effects of new or changed standards are described below. The consolidated financial statements of GFT AG as of 31 December 2005 are in harmony with the IFRS.

The consolidated financial statements have been drawn-up in Euro. The income statement was prepared pursuant to the total cost method. The consolidated financial statements were approved by the Executive Board on 6 March 2006, and released for publication by the Supervisory Board on 27 March 2006.

GFT is an international provider of innovative IT solutions, active in the services, resourcing, and software segments of the industry (see Segment report). GFT AG is registered in Germany in the legal form of a public limited company with headquarters at Leopoldstr. 1, 78112 St. Georgen. GFT AG is the ultimate parent company of the GFT Group.

2. Effects of new or changed standards

As of 1 January 2005 the newly issued IFRS, as part of the so-called improvement project of the IASB, as well as the adopted changes in existing standards apply. Significant effects compared with the 2004 consolidated financial statements occurred in the following areas:

IFRS 3 business combinations

With commencement of the 2005 financial year scheduled amortisation of goodwill (2004: €(k) 2,410); is no longer applicable; instead an impairment test will take place at least once a year. The book value of negative goodwill existing on 31 December 2004 was written off as of 1 January 2005 taking an appropriate adjustment of the opening value of the consolidated balance sheet loss in equity (€(k) 65). Due to application of IFRS 3 pre-tax results improved by €(k) 2,283 over the valuation method applied in the previous year.

IAS 39 financial instruments: Recognition and measurement

Due to the reworked IAS 39, fair value changes of financial assets available for sale are recognised directly in equity. However in the course of first-time application of the reworked IAS 39, the company classified all previously stated securities as financial assets at fair value through profit and loss, so that a change of presentation in equity was not required. Also securities newly acquired in 2005, with one exception, have been designated as assets at fair value through profit and loss, so that there was no change to the previous valuation methodology. Only one security acquired in 2005 can be categorised as an asset available for sale, its change in current value was recognised directly in equity in a separate reserve. This worsened pretax results as compared with the previous year's valuation method by €(k) 181. The securities designated at fair value through profit and loss had a book value (= fair value) of €(k) 6,706 (prev. year €(k) 10,165), the security available for sale had a book value (= fair value) of €(k) 1,290 (prev. year's figure not available).

IAS Presentation of financial statements

Due to the first-time application of IAS 1 "Presentation of financial statements" in the version applicable as of 1 January 2005, the structure of the consolidated balance sheet has changed. The previous year's figures have been adjusted to reflect the changed reporting structure. The balance sheet is restructured strictly in accordance with maturity, the terms used for classification have been adjusted accordingly. The newly classified items essentially affect non-current assets (€(k) 246; (prev. year €(k) 226), non-current provisions (€(k) 1,315; (prev. year €(k) 1,755), and non-current liabilities (€(k) 1,317; (prev. year €(k) 24). Minority interests are considered as part of equity in accordance with the reclassification (€(k) –; previous year €(k) –).

3. Consolidated group

In the consolidated financial statement as of 31 December 2005 in addition to GFT Technologies AG ("GFT AG") the following subsidiaries were also included (fully consolidated):

- GFT Technologies (Schweiz) AG, Wallisellen, Switzerland
- GFT Solutions GmbH, Hamburg, Germany
- GFT Websolutions Kft., Budapest, Hungary
- GFT Technologies GmbH, Vienna, Austria
- GFT UK Limited, London, United Kingdom
- GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain
- emagine gmbh, Eschborn, Germany
- GFT Technologies (India) Private Limited, Trichy, India
- Emagine Servicios de Consultoría e Informática, S.A., Sant Cugat del Vallés, Spain
- GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil.

GFT Technologies Aktiengesellschaft, St. Georgen**Notes to the Consolidated Statements**

as of 31 December 2005

The subsidiary, GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil, acquired in November 2005 has been included in the consolidated financial statements for the first time. As this company did not engage in operating activities in 2005, first-time inclusion did not have significant influence on the asset, financial, or earnings situation of the Group; similarly there is no affect on comparability with previous year's figures.

In the previous year's consolidated financial statements the subsidiary GFT Systems, Ilmenau, which left the consolidated group on 19 August 2004, was still included. The share of group revenue attributed to GFT Systems GmbH was 1.0 % in the first half of 2004; thus comparability of fiscal years 2005 and 2004 is not significantly affected by its departure.

4. Consolidation methods

Assets and liabilities of domestic and foreign companies included in the consolidated financial statements are stated in accordance with uniformly applicable accounting and valuation methods.

Capital was consolidated through application of the purchase method by offsetting the investment book values with the revalued equity of the subsidiaries at the time of acquisition. In this process, assets, debts and possible liabilities are stated at their current value. Remaining differences are reported as goodwill. The hidden reserves and encumbrances disclosed are amortised on the basis of the corresponding assets and debts. The stock market price on the day of transfer, or a minimum price contractually guaranteed to the purchaser, was the basis for the historical costs of shares in subsidiaries purchased through surrender of GFT shares.

The write-ups or depreciation on equity interests in group companies shown in individual financial statements have been cancelled again in the consolidated financial statements.

Group-internal gains and losses, revenue, expenses, and income, as well as receivables and liabilities existing between consolidated companies are eliminated. Particularly assets included in assets and inventories from group-internal deliveries and services are adjusted by intercompany profits.

Income tax effects have been taken into consideration and deferred taxes are reported in the consolidation processes.

The consolidated financial statements include businesses of those companies in which GFT AG holds the majority of voting rights either directly or indirectly (subsidiaries), or due to its economic authority arising from the activity of the affected companies, can take a majority of the economic impact, or must carry a majority of the risk, usually through an equity holding in excess of 50 %. Inclusion starts at the moment the possibility of dominance exists. It ends when the possibility of dominance no longer exists.

On the other hand, those investments in which GFT AG exercises a significant influence – usually due to an equity holding ranging between 20 and 50 percent – are valued in accordance with the equity method. For investments valued in accordance with the equity method, historical costs are increased or reduced annually by the amount of respective equity changes in the GFT stake. For first-time inclusion of investments in accordance with the equity method, differences from first-time consolidation are treated in accordance with the principles of full consolidation. Currently GFT does not hold an investment that must be valued in accordance with the equity method.

The balance sheet dates of companies included in the consolidated financial statements correspond to the date of the consolidated financial statements (31 December).

5. Currency translation

In the individual financial statements of the consolidated companies foreign currency transactions are translated at the rates valid at the time of the business transaction. In the balance sheets monetary items in foreign currency are translated at the closing rate at year end, and the foreign exchange gains and losses are recognised in a manner that affects earnings.

The annual financial statements of foreign Group companies are translated into Euro as stipulated in IAS 21, in accordance with the functional currency concept. Currently for all subsidiaries this is the respective national currency, as these companies operate their business in a manner that is financially, economically, and organisationally autonomous. Thus assets and liabilities are translated at the rate prevailing on the balance sheet date, expenses and earnings are translated at the annual average rate. Differences are shown separately in equity as "Offsetting items for currency translation". If Group companies leave the consolidated group, then the applicable currency translation difference is liquidated in a manner that affects earnings.

GFT Technologies Aktiengesellschaft, St. Georgen**Notes to the Consolidated Statements**

as of 31 December 2005

6. Essential accounting and valuation methods**Intangible assets and impairment test**

Intangible assets acquired for consideration are activated at historical costs and – with the exception of goodwill and intangible assets with indeterminate useful life – are subject to linear depreciation over their economic useful life. This particularly involves software that is depreciated over 3 years; the depreciations start at the purchase date. Impairments are taken into consideration through non-scheduled depreciation. In the event of discontinuation of the reasons for non-scheduled depreciation, appropriate write-ups are undertaken that should not exceed the amortised historical cost.

Intangible assets with indeterminate useful life do not exist in the GFT Group.

Goodwill, including goodwill from the capital consolidation is no longer subject to scheduled depreciation. In accordance with IFRS 3 and the reworked standards IAS 36 and IAS 38 in this respect, goodwill is audited annually for possible impairment. If such events or changed circumstances arise that would indicate a possible impairment, then the impairment test must be performed more frequently.

As part of the impairment test of assets in the GFT Group the residual book values of individual cash-generating units with their respective recoverable amount, i.e. the higher value from fair value less costs to sell, and its value in use are compared. In accordance with the definition of a cash-generating unit, the strategic divisions of the GFT group are always used as cash generating units.

In those cases where the book value of the cash-generating unit is higher than its recoverable amount, an impairment loss is present in the amount of the difference. In the first step, goodwill of the affected strategic unit thus determined is written off in the amount of the impairments and recognised as expense. A possible remaining residual amount is distributed over the other assets of the respective strategic business unit proportionally to book value. Value adjustments are shown in the income statement under depreciation.

The cash value of future payments is used as the basis to determine the recoverable amount, due to ongoing use of the strategic unit and whose disposal is expected at the end of its useful life. The payment forecast is based on the current plans of the GFT Group. The capitalisation rate is determined as pre-tax rate, with consideration of a risk component.

Research and development costs

Research costs are recognised as an expense when they are incurred. As long as the foreseeable future economic benefit of in-house developments cannot be reliably assessed, development costs are recognised as an expense in the period in which they were incurred; previously all development costs were recognised as expense.

Tangible assets / property, plant and equipment

Tangible assets are stated at historical costs, reduced by scheduled use-related depreciation and non-scheduled depreciation. Schedule depreciation is executed linearly over the useful life, from three to thirteen years. Repairs and maintenance costs are recognised as expense when they are incurred. Retroactive historical or production costs are activated if there is future economic benefit through the costs associated with the tangible asset.

Non-scheduled depreciation on intangible assets is executed in accordance with IAS 36 if the recoverable amount of the respective asset has dropped below the book value. The recoverable amount is the higher value from value in use and fair value, minus selling costs. In the event of discontinuance of the reasons for non-scheduled depreciation then appropriate write-ups are undertaken. See the information on intangible assets and impairment test above for the impairment test procedure.

If tangible assets (or long-term immaterial assets) are leased, and if the economic ownership remains with the respective Group company (finance lease), then such assets are activated at the beginning of the leasing relationship at fair value, or with the lower cash value of the minimum leasing rate in accordance with IAS 17, and depreciated according to useful life; the respective payment liabilities from future leasing rates are recorded as liabilities. If economic ownership remains with the lessor, then the leasing rates are recognised linearly as expense over the term of the leasing relationship (operating lease).

GFT Technologies Aktiengesellschaft, St. Georgen**Notes to the Consolidated Statements**

as of 31 December 2005

Inventories and work in progress

In accordance with IAS 2 those assets are shown under inventories that are held for sale in the course of normal business (goods). The goods are valued at historical costs, or lower net realisable value, on the balance sheet date.

Work in progress is treated in accordance with IAS 11 based on percentage of completion that has been realised and the associated contract costs. Profit is thus realised in accordance with the services provided as of the balance sheet date, in this process the percentage of completion is determined for projects on the basis of employee / subcontractor project time. Project losses are recognised immediately as expense.

Financial instruments

Financial instruments are contracts that result in a financial asset for one company and a financial liability for another company, or that result in an equity instrument. Financial instruments are reported at usual purchase or sale on the date of settlement, i.e. the date the asset is transferred. Financial instruments are categorised as either primary or derivative financial instruments.

Primary financial instruments

Primary financial instruments on the assets side (financial assets) particularly involve trade receivables, securities, other assets, as well as cash and cash equivalents. Primary financial instruments on the liabilities side (financial liabilities) are particularly financial liabilities, trade liabilities, and other liabilities.

Financial assets are valued at GFT in accordance with IAS 39 in the categories "available for sale", "fair value through profit and loss", or "loans and receivables". Assets in the categories "available for sale category" and "fair value through profit and loss" are valued at fair value; assets in the category "loans and receivables" are valued at amortised cost through application of the effective interest rate method.

Fair value usually corresponds to the market value or stock market value. The market value of a primary financial instrument is the price that can be obtained on the market, i.e. the price at which the financial instrument is freely traded in an ongoing transaction between two partners that are independent of each other. If an active market does not exist for a security then the fair value is determined via financial-mathematical methods and it is verified by bank confirmation.

If objective substantial indications are present for an impairment then determination is made as to whether the book value exceeds the cash value of the expected future cash flow. If this is the case then an impairment is undertaken in the amount of the difference. Indications that an impairment is required are manifest in worsening of the market value, significant worsening of creditworthiness, concrete breach of contract, increased likelihood of insolvency, or the necessity of financial reorganisation of the debtor responsible for the liability, as well as disappearance of an active market. If there is discontinuance of the reasons for the impairment then a reversal of impairment loss is undertaken.

Trade receivables are allocated to the category “loans and receivables”, they are not reported with amortised historical costs. Questionable receivables are assessed at an amount that is considered to be realisable due to the probability of default. As soon as it is known that a certain liability is associated with risk that extends beyond the general credit risk (e.g. poor creditworthiness on the part of the debtor) then the receivable is checked and – if the circumstances indicate that the receivable is uncollectable – then it is considered to be impaired.

Securities are classified as assets that are either available for sale or assets at fair value through profit or loss, for the first-time recognition. Securities in the available for sale category are reported at fair value. Profit or loss due to a change in the fair value of a available for sale security is directly recognised in equity in the reserve “Market value securities” – with the exception of impairments, and profits and losses from currency translation – until the security is depreciated. At this time cumulative profit or loss, which was previously stated in equity, is recognised in the results for the period. Profit or loss due to a change in the fair value of a security of the “asset at fair value through profit or loss category” is stated directly in the results for the period.

Cash and cash equivalents are reported at the nominal amount.

Other financial assets are assigned to the category “loans and receivables” and reported with amortised historical costs. If this is an indication of impairment for an other financial asset, then a value adjustment is made to the cash value of the expected future cash flow. If there is discontinuance of the reasons for the impairment then appropriate reversals of impairment loss are undertaken. However, reversal of impairment loss is not considered beyond historical costs.

Financial liabilities are valued at the amortised historical costs. For short-term financial liabilities this means they are shown with their redemption amount. Long-term liabilities as well as net financial debt are reported at amortised historical costs using the effective interest method, as long as they do not present the hedged item in a hedge accounting context.

GFT Technologies Aktiengesellschaft, St. Georgen**Notes to the Consolidated Statements**

as of 31 December 2005

For other receivables and liabilities, as well as cash and cash equivalents there are no significant differences between book values and market values due to the short-term involved.

Derivative Financial Instruments

Derivatives are considered to be held for trading purposes and thus fall in the category of financial assets or liabilities at fair value through profit and loss with the exception of derivatives that have been designated as hedge instruments and that are effective as such. Derivatives that serve as interest rate, currency rate or price hedges in the GFT Group in accordance with business administration criteria, which however do not satisfy the rigorous IAS 30 criteria, are assigned to the category "fair value through profit and loss". As of 31 December 2005 one such derivative (interest rate swap) existed, and the loss due to change in the fair value is stated in the results for the period.

The prerequisite for reporting hedge accounting is that the clear hedge context between hedged item and hedge instrument must be documented and verified. Reporting consideration of fair value changes of hedge instruments depends on the type of hedge accounting. In the case of a hedge against value change risks for balance sheet items (fair value hedges) the hedge instrument, as well as the secured risk asset ratio of the hedged item, are stated at fair value. Changes in valuation are reported in a manner that affects earnings. For cash flow hedges valuation of the hedge instrument is likewise made at fair value. Value changes of the effective portion of the derivative are first recognised directly in equity in a separate reserve, and are only recognised in a manner that affects earnings when the hedged item is realised. The ineffective portion of the hedge is immediately recognised in a manner that affects earnings. As of 31 December 2005 there was no derivative that was part of a hedge accounting in accordance with IAS 39.

Other receivables and liabilities as well as borrowing costs

Deferments, prepayments, as well as non-financial assets and liabilities are stated with the amortised historical costs. They are liquidated linearly or according to the provision of service. Borrowing costs are recorded as an expense in the period in which they occur without consideration of the use of the borrowed capital.

Provisions

Actuarial valuation of pension provisions is based on the projected unit credit method prescribed in IAS 19. In addition to pensions and acquired entitlements known at the balance sheet date, expected future increases in salaries and pensions are also considered.

Provisions are formed in agreement with IAS 37 if, relative to third parties, a present liability exists from a past event that in the future probably results in an outflow of resources, and its amount can be reliably estimated. Other provisions are valued in accordance with IAS 37, possibly also in accordance with IAS 19, using the best possible estimate of the expenses that would be required to discharge the present liability as of the balance sheet date. If outflows of funds for a liability are only anticipated after more than one year, then the provisions are stated with the cash value of the foreseeable outflow of funds. Provisions are not offset with retrospective claims.

Revenue realisation and profit realisation

Revenues from sales of goods are realised if the goods have been delivered and the risk has been transferred to the customer.

Revenues from production contracts and services are realised in accordance with IAS 11 and IAS 18, based on the percentage of completion of the business on the balance sheet date, employing the percentage of completion method. Earnings are captured if the amount of revenue can be reliably estimated, if it is sufficiently probable that the economic benefit will accrue to the GFT Group, if the percentage of completion can be reliably determined on the balance sheet date, and if the costs incurred for the business, as well as the costs that can be anticipated until it is fully completed, can be reliably determined.

Profit realisation from interest, user fees, rents, income under license agreements, and equivalent items is limited to the period; dividend earnings are realised with creation of legal title.

Income tax

Actual income tax is determined in accordance with the tax law of the countries in which the respective company is active.

Calculation of deferred income tax in accordance with IAS 12 includes tax deferrals and accruals of assets and liabilities on different valuations of assets and liabilities in the balance of trade (IFRS), on consolidation processes and on realisable taxable loss carry-forwards. Deferred taxes assets for deductible temporary differences, and for taxable loss carry forwards that exceed the taxable temporary differences are only shown in the extent to which it can be assumed with adequate probability that the respective company will earn sufficient taxable income to realise the respective benefit. Deferred tax assets and deferred tax liabilities are shown separately in the balance sheet. Deferred taxes are valued at the tax rates that are valid on the balance sheet date or that will legally come into force in the future. For business activity in Germany, company-specific mixed tax rates are stated that range between 37.5 % and 40.3 % (in the previous year between 37.2 % and 40.3 %) for consideration of corporate income tax and trade tax effects.

Management estimates and judgements

In drawing up the consolidated financial statements, assumptions and estimates must be made to a certain extent, that effect the amount and the presentation of reported assets and liabilities, earnings and expenses, as well as possible liabilities for the reporting period. The estimates and judgement essentially are based on assessment of the intrinsic value of intangible assets, determination of economic useful life for fixed assets, the percentage of completion of customer projects in progress, the collectability of receivables, accounting and valuation of provisions, and the usability of taxable loss carry-forwards that have resulted in the statement of deferred taxes. Estimates and judgements are made on the basis of the most current information available. Due to developments that deviate from, or that are beyond Management's sphere of influence actual amounts can vary from the originally expected estimated values. If actual development deviates from expected development then the premises, and if necessary the book values, of the assets and liabilities concerned are adjusted accordingly. At the time the consolidated financial statements were drawn up there were no significant risks underlying the estimates and judgements, so that from the present perspective there is no reason to assume a significant adjustment to book values of assets and debts shown in the consolidated financial statements in the following financial year.

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

Changes in Group fixed assets

	At cost				As of 31/12/2005 €
	As of 01/01/2005 €	Elimination of the cumulative amortisation be- fore application of IFRS 3 €	Additions €	Disposals €	
Intangible assets					
Licences, industrial property rights and similar rights	4,908,148.44	0.00	324,647.26	128,451.15	5,104,344.55
Goodwill	53,920,513.03	-38,572,800.98	0.00	0.00	15,347,712.05
Negative goodwill	-190,304.55	0.00	0.00	-190,304.55	0.00
	58,638,356.92	-38,572,800.98	324,647.26	-61,853.40	20,452,056.60
Tangible fixed assets					
Other assets, plant and equipment	18,384,954.54	0.00	752,801.85	6,494,163.35	12,643,593.04
Financial assets					
Investments in associated companies	1,209,503.00	0.00	0.00	0.00	1,209,503.00
	78,232,814.46	-38,572,800.98	1,077,449.11	6,432,309.95	34,305,152.64

Depreciation				Book Value		
As of 01/01/2005	Elimination of the cumulative amortisation be- fore application of IFRS 3	Depreciation of the financial year	Disposals	As of 31/12/2005	As of 31/12/2005	As of 31/12/2004
€	€	€	€	€	€	€
4,502,180.74	0.00	286,037.45	65,951.15	4,722,267.04	382,077.51	405,967.70
38,572,800.98	-38,572,800.98	0.00	0.00	0.00	15,347,712.05	15,347,712.05
-125,258.11	0.00	0.00	-125,258.11	0.00	0.00	-65,046.44
42,949,723.61	-38,572,800.98	286,037.45	-59,306.96	4,722,267.04	15,729,789.56	15,688,633.31
15,600,720.37	0.00	975,716.89	6,411,516.27	10,164,920.99	2,478,672.05	2,784,234.17
1,209,503.00	0.00	0.00	0.00	1,209,503.00	0.00	0.00
59,759,946.98	-38,572,800.98	1,261,754.34	6,352,209.31	16,096,691.03	18,208,461.61	18,472,867.48

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

7. Intangible assets, goodwill

The development of intangible assets, including goodwill, of the GFT Group is presented in Appendix 1 of the Notes to the consolidated financial statements. The columns "Eliminating the cumulative amortisation prior to application of IFRS 3" show the statement of the book value of the cumulative amortisation of goodwill (€(k) 38,573) with an appropriate reduction of goodwill as of 1 January 2005 due to the initial application of IFRS 3. For the same reason the book value of negative goodwill shown in the previous year of (€(k) 65) as of 1 January 2005 has been written off in equity with consideration of a corresponding adjustment of the opening balance of the consolidated balance sheet loss.

Since 1 January 2005 goodwill is no longer subject to scheduled amortisation rather it is tested once a year for impairment in accordance with IAS 36. The impairment test of goodwill was performed on the basis of the future anticipated cash flow as derived from planning. Planning is based on the approved budget for the coming 2006 financial year, which has been carried forward with defined growth rates for the subsequent two years. Third year values have then been considered as constant for the extended future. Cash flow has been discounted with a uniform discount rate of 9 % before taxes. The recoverable amount of the cash-generating units has thus been determined as value in use.

For the cash flow forecasts for the cash generating unit "Services – Finance & Insurance" Management assumes that the existing customer business with the Deutsche Bank will continue on a sustainable high level, that the existing business with the Deutsche Post will grow moderately, and that growth will essentially be driven through business with new customers. For the cash-generating unit *Resourcing* Management likewise assumes a constant course of business with existing customers and positive growth with new customers. Our assumptions are based on experience, as well as on the signals received from the markets.

The book value of overall goodwill is assigned to the cash-generating units as follows:

	31/12/2005 €(k)	31/12/2004 €(k)
Cash-generating units		
Services – Finance & Insurance	14,333	14,268
Services – Post & Logistics & Others	–	–
Resourcing	1,015	1,015
Software	–	–
	15,348	15,283

Due to the results of the impairment test in financial year 2005 (as in the previous year) non-scheduled amortisation of goodwill was not undertaken.

The other long-term intangible assets (except goodwill) involve software acquired for consideration (€(k) 382; previous year €(k) 406). Intangible assets with indeterminate useful life are not present in the GFT Group.

8. Tangible assets / property, plant and equipment

The development of tangible assets of the GFT Group is presented on page 80 and 81 of the Notes to the consolidated financial statements.

Non-scheduled depreciation of tangible assets due to impairments were not required in 2005, as was the case in the previous year.

9. Financial assets

The investments shown as financial assets are the investments in Thinkmap, Inc., New York, USA (18.7 %), as well as in incowia GmbH (formerly GFT Systems GmbH), Ilmenau (10.0 %). The investment in Thinkmap, Inc. was already written-off to zero in previous years due to impairment. The investment in the former subsidiary, GFT Systems GmbH, was associated with the fiscal 2004 sale of 71 % of the shares of this company (€(k) 82) and represents 10 % of the shares remaining with GFT AG; the investment was written-off to zero in financial year 2004 due to impairment.

10. Share ownership

As of 31 December 2005 GFT AG holds direct and indirect shares of at least 20 % in the following companies:

Name	Location	Share of the capital	Equity 31/12/2005	Results for the business year
Direct shareholding				
GFT Technologies (Schweiz) AG	Wallisellen, Switzerland	99 %	CHF 20,000.00	CHF 0.00
GFT Solutions GmbH	Hamburg	100 %	EUR 82,316.59	EUR -82,200.35
GFT Websolutions Kft,	Budapest	100 %	HUF 73,605,422	HUF -16,731,204
GFT Technologies GmbH	Vienna	100 %	EUR 20,000.00	EUR -101,939.20
GFT UK Limited	London	100 %	GBP 445,213.00	GBP 75,300.00
GFT Iberia Solutions, S.A.	Sant Cugat del Vallés, Spain	100 %	EUR 4,566,315.19	EUR 1,133,733.70
emagine gmbh	Eschborn	100 %	EUR 30,424.39	EUR 818.60
GFT Technologies (India) Private Limited	Trichy, India	100 %	INR 19,974,385	INR 4,354,407
Indirect shareholding				
Emagine Servicios de Consultoría e Informática. S.A.	Sant Cugat del Vallés, Spain	100 %	EUR 901,329.89	EUR 467,803.89
GFT Brasil Consultoria Informática Ltda.	São Paulo, Brazil	100 %	BRL 115,684.62	BRL -4,643.38

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

11. Inventories and trade receivables

The inventories shown involve goods (hardware and software) that are scheduled for sale as within the framework of projects.

The trade receivables result from on-going business and are all due in the short-term, as in the previous year. Required individual value adjustments based on the probable risk of default are taken into account with €(k) 940 (prev. year €(k) 1,141). Trade receivables, in accordance with IAS 11, include realised revenue from unfinished projects as of the balance sheet date in the amount of €(k) 3,986 (prev. year €(k) 8,526) minus prepayments received in the amount of €(k) 2,757 (prev. year €(k) 5,747).

12. Other assets

Other assets can be broken down as follows:

	31/12/2005 €(k)	31/12/2004 €(k)
Non-current assets		
Deposits	246	226
Other current assets		
Claims for VAT and other tax refunds	679	155
Balance of purchase price from the sale of "GFT Media"	400	–
Prepaid expenses	376	311
Deferred interest	312	128
Deposits	66	42
Receivable for grants	61	30
Balance of purchase price from sale of „emagine Hauptversammlungsservice“	59	–
Insurance settlements	56	–
Receivables from employees	20	20
Creditors with debit balance	20	5
Other	150	87
	2,199	778
Total other assets	2,445	1,004

Refer to point 22 "Other operating income", for information on the sales "GFT Media" and "emagine Hauptversammlungsservice".

13. Securities as well as cash and cash equivalents

As of 31 December 2005 GFT Group securities are used for contingency capital insurance and interest rate optimisation and consist of fixed and variable interest rate debt instruments. They are broken down as follows:

	31/12/2005 €(k)	31/12/2004 €(k)
Category in accordance with IAS 39		
Financial assets at fair value through profit and loss	6,706	10,165
Financial assets available for sale	1,290	–
	7,996	10,165

Valuation of securities available for sale as of 31 December 2005 resulted in an allocation in the reserves “Market valuation securities” in equity of €(k) 290 (less deferred taxes of €(k) 109).

Valuation of securities at fair value through profit and loss, resulted in 2005, in expenses in the income statement of €(k) 496 (prev. year €(k) 168) and earnings of €(k) – (prev. year €(k) 32).

Cash and cash equivalents include cash (€(k) 7; previous year €(k) 12) and short-term liquid credit at banks (€(k) 20,645; previous year €(k) 20,460).

14. Equity

Please refer to the separately presented Statement of changes in equity for equity development during financial years 2005 and 2004.

As of 31 December 2005 share capital in the amount of € 26,325,946.00 consisted of 26,325.946 no-par ordinary shares (unchanged from 31 December 2004). The shares are made out to the owners and grant equal rights to all.

The capital reserve includes the amount that was obtained in the issue of shares over the calculated value. The accumulated profit reserves are amounts that were formed in previous financial years from results.

The changes in equity that are recognised in equity include income and expenses from currency translation (IAS 21) and from the valuation of securities that are classified as financial assets available for sale (IAS 39).

The consolidated accumulated loss as of 31 December 2005 includes an adjusted balance carried forward from the previous year of €(k) -52,893 (prev. year €(k) -49,149). The adjustment of €(k) 65 reflects the write off of negative goodwill as of 1 January 2005 due to the initial application of IFRS 3.

GFT Technologies Aktiengesellschaft, St. Georgen**Notes to the Consolidated Statements**

as of 31 December 2005

Authorised capital

In accordance with the resolution passed by the Annual General Meeting of 29 May 2002, the Executive Board is authorised to increase the share capital against contributions in money or property until 26 May 2007, with the consent of the Supervisory Board, through issuance of new shares against cash or property contributions, either once or repeatedly, up to a total of € 7,500,000.00, through the issuance of up to 7,500,000 new shares made out to the owners, with an entitlement to dividends starting at the beginning of the business year for such issuance (Authorised capital I / 2002). With the consent of the Supervisory Board, the Executive Board is authorised to eliminate the purchase rights of shareholders in the case of capital increases against contributions in kind.

Further, in accordance with the resolution passed by the Annual General Meeting of 29 May 2002, the Executive Board is authorised to increase the share capital against contributions in cash until 26 May 2007, with the consent of the Supervisory Board, through the issuance of new shares against cash contributions, either once or repeatedly, up to a total of € 2,632,594.00, through the issuance of new shares made out to the owners, with an entitlement to dividends starting at the beginning of the business year for such issuance (Authorised capital II / 2002). Under certain conditions, the Executive Board is authorised, with the consent of the Supervisory Board, to eliminate the purchase rights of shareholders.

Under-utilised, authorised capital in the amount of € 10,132,594.00 is in existence as of 31 December 2005.

Conditional capital

Conditional capital amounted to € 8,280,000.00 as of 31 December 2005 (prev. year: € 8,280,000.00).

Share capital is conditionally increased up to a nominal € 780,000.00, divided in up to 780,000 shares made out to the owners (Conditional capital I / 1999). This conditional capital increase serves the granting of purchase rights to members of the Executive Board and Company employees, as well as to members of executive management and employees of affiliated companies, in accordance with the resolution of the Annual General Meeting of 4 June 1999.

The Annual General Meeting of 29 May 2002 decided on a conditional capital increase of up to € 7,500,000, through the issuance of up to 7,500,000 new shares made out to the owners, with an entitlement to dividends starting at the beginning of the business year for such issuance (Conditional capital II / 2002). The conditional capital increase serves the granting of shares to the owners or claimants of option or convertible bonds that are issued by the Company or a subsidiary up to 26 May 2007, in accordance with the authorisation by the Annual General Meeting of 29 May 2002 as long as the issuance is carried out in cash. It will only be executed insofar as option or conversion rights stemming from the aforementioned bonds are used, or conversion obligations from such bonds are fulfilled.

Through resolution of the Annual General Meeting of 29 May 2002, the Executive Board was authorised to issue option or convertible bonds for a total face value of up to € 100m., with a term of up to 20 years, once or repeatedly, up until 26 May 2007, or to take over the guarantee for such bonds issued by Company subsidiaries, and to grant the owners or claimants of such bonds option or conversion rights to new Company shares, with a proportionate sum of share capital of up to € 7.5m., in accordance with closer requirements of the particular conditions for these option or conversion bonds.

Stock option programmes

The extraordinary Annual General Meeting of 4/24 June 1999 determined the conditional increase of share capital through issuance of up to 260,000 shares (corresponds to 780,000 shares following the 1:3 share split of 16 May 2000, Conditional capital I/1999), for the exclusive granting of purchase shares within the framework of stock option programmes, as well as the main features of the stock option programmes to be launched by the Executive Board. The conditional capital increase is only to be executed insofar as the owners of the purchasing rights issued make use of their purchasing rights pursuant to Article 192 Section 2 No. 3 of the German Stock Corporation Act. Beneficiaries are exclusively members of the Executive Board and employees of GFT Technologies AG as well as 100 % subsidiaries, whose purchasing rights have been granted.

The purchasing rights stemming from the stock option programmes "1999 / 2004" and "2000 / 2005" established by the Executive Board, expired on 6 July 2004 and 1 July 2005, respectively. Thus as of 1 July 2005 purchase rights in accordance with Article 192 Section 2 no. 3 of the German Stock Corporation Act no longer exist.

Minority interests

Minority interests existed until deconsolidation of the GFT Systems GmbH, Ilmenau in August 2004, since then minority interests do not exist. In financial year 2004 losses of €(k) 57 were ascribed to the minority shareholders.

15. Pension provisions

Employee benefits are provided through contribution-oriented and performance-oriented plans. For contribution-oriented plans contributions are paid by the company based on legal or contractual regulations, or on a voluntary basis, to state or private pension insurance institutes. The contributions paid in financial year 2005 for contribution-oriented plans to state and private pension insurance institutes was €(k) 4,755 (prev. year €(k) 4,733) and are included in personnel expenses.

The performance-oriented plans involve actual liabilities in Germany due to individual arrangements relative to old-age benefits, invalidity benefits, and provisions for dependents for an active manager and a manager who has left the company, as well as or a former Managing Director of a subsidiary (pension recipient) prev. year relative to two active managers and the pension recipient).

The following parameters were taken into consideration in determining the actuarial value of the pension provisions.

	31/12/2005	31/12/2004
Discount rate	4.0 %	4.5 % – 5.0 %
Expected return on plan assets	1.0 %	1.75 % – 2.0 %
Expected salary increase	0.0 % – 2.5 %	0.0 % – 2.5 %
Average fluctuation	0.0 %	0.0 %

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

Assumptions relative to average fluctuation were not necessary due to the small number of people involved. The "2005 G Guideline Tables" by Prof. Klaus Heubeck (Cologne 2005) were used as a basis for the computation (prev. year: "1998 Guideline Tables" by Prof. Klaus Heubeck (Cologne 1998)).

	2005 €(k)	2004 €(k)
Change in cash value of deferred benefits		
Deferred benefits cash value 1/1/	918	917
Service cost for the period	35	21
Interest expense	42	41
Actuarial gains (-) / losses (+)	-40	152
Pension payments	-38	-38
Change in the scope of consolidation	-	-175
Deferred benefits cash value 31/12/	917	918
Change in plan assets		
Fair value of plan assets 1/1/	-	94
Change in the scope of consolidation	-	-94
Fair value of plan assets 31/12/	-	-
Net amount recognised	917	918
Adjustment due to non-realised actuarial gains (-) / losses (+)	-97	-141
Pension provisions	820	777

Actuarial gains and losses (i.e. effects of deviations between previous actuarial assumptions and actual development, and of changes in actuarial assumptions) are distributed applying the so-called corridor approach as expense or income on the expected average service lifetime of the employees participating in the plan, if they exceed 10 % of the cash value of the performance oriented liability.

Pension expenses are broken out as follows for the fiscal year:

	2005 €(k)	2004 €(k)
Service cost for the period	35	21
Interest expense	42	41
Amortisation on actuarial gains (-) / losses (+)	4	122
Pension expenses	81	184

The pension expenses are included in personnel expenses.

16. Income tax

The item income tax shown in the income statement includes:

	2005 T€	2004 T€
Actual tax expense	563	1,220
Deferred tax income prev. year deferred tax expense	-49	451
Tax expense	514	1,671

The actual tax expense includes out of period actual income tax earnings of €(k) 535 (prev. year €(k) -74). Due to the use of previously unconsidered taxable loss carry-forwards (€(k) 1,748; prev. year €(k) 885) actual tax expense was reduced by €(k) 656 (prev. year 266).

The deferred income taxes were due to the following causes:

	2005 €(k)	2004 €(k)
From temporary differences	-49	483
From taxable loss carry-forwards	–	-32
Deferred tax income (prev. year deferred tax expense)	-49	451

The deferred tax earnings (prev. year deferred tax expense) include a deferred tax expense due to devaluations of deferred tax assets of €(k) 397 (prev. year 107). From items that were directly credited in equity deferred taxes of €(k) 109 (prev. year €(k) –) resulted.

The trade tax liabilities shown in the balance sheet are broken down as follows:

	31/12/2005 €(k)	31/12/2004 €(k)
Claims to deferred tax assets	5,655	6,339
Ongoing claim to income tax	618	1,443
	6,273	7,782

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

	31/12/2005 €(k)	31/12/2004 €(k)
Deferred tax liabilities	500	1,125
Current income tax liabilities	640	932
	1,140	2,057

The tax deferrals and accruals are allocated to individual balance sheet items as follows:

	31/12/2005 €(k)	31/12/2004 €(k)
Taxable loss carry-forwards	5,000	5,000
Anniversary provisions	258	229
Intangible assets and property, plant and equipment	242	251
Provisions for possible losses (prim. rental agreements)	116	839
Pension provisions	24	1
Liabilities	14	8
Other provisions	1	11
Claims to deferred tax assets	5,655	6,339

	31/12/2005 €(k)	31/12/2004 €(k)
Receivables	391	1,125
Securities	109	–
Deferred tax liabilities	500	1,125

For cumulated taxable loss carry-forwards at Group companies of € 19.4m. (prev. year € 18.9m.) and for deductible temporary differences of € 1.2m. (prev. year € 0.2m.) no deferred tax assets were formed, as we cannot currently consider a future offset; the loss carry-forwards are not non-forfeitable. The deferred tax asset for the carry forward of unused tax losses as of December 2005 exclusively affects GFT Technologies AG (€(k) 5,000), (prev. year €(k) 5,000). After GFT AG was able to use tax loss carry-forwards of € 1.7m. For the first time in the 2005 financial year, the Executive Board assumes, based on profitability planning, that in the future for GFT AG sufficient taxable results will be available against which the unused tax losses can be used.

The adjustment between the effective tax rate of the GFT Group and the German tax rate of GFT AG of 37.5 % (prev. year 37.2 %) is presented as follows; the applicable tax rate of GFT AG changed slightly due to changed trade tax rates of assessment.

	2005 €(k)	2004 €(k)
Earnings before taxes	1,579	-2,195
Expected tax expenses of 37.5 % (prev. year tax yield 37.2 %)	592	-817
Non tax-deductible goodwill amortisation	–	889
Other non tax-deductible expenses and tax-free income	125	416
Value adjustments / non-entry deferred tax assets	397	191
Current financial year losses which cannot be offset by tax assets	655	1,394
Retrospective application of deferred tax assets	-793	-571
Tax rate differences	38	122
Aperiodic effects	-475	65
Other tax effects	-25	-18
Effective tax expense	514	1,671
Effective tax rate	32.6 %	-76.1 %

17. Other Provisions

The other provisions show the following trend in fiscal year 2005:

	As of 01/01/2005 €(k)	Consumption Liquidation (L) €(k)	Transfer €(k)	As of 31/12/2005 €(k)
Employee commissions / bonuses / anniversaries / severance payments indemnifications	5,268	3,891 755 (L)	4,578	5,200
Possible losses from rental agreements	2,354	1,017 164 (L)	224	1,397
Outstanding purchase invoices	1,295	882 243 (L)	1,090	1,260
Holiday obligations	831	831	989	989
Warranty	518	87	150	581
Contributions to industry associations	118	114 4 (L)	105	105
Other	1,350	580 369 (L)	859	1,260
	11,734	7,402 1,535 (L)	7,995	10,792

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

Due to maturity i.e. the expected settlement date of resulting outflows of economic benefit, other provisions are shown in the balance sheet as follows:

	31/12/2005 €(k)	31/12/2004 €(k)
Other long-term provisions	1,315	1,755
Other short-term provisions	9,477	9,979
Total other provisions	10,792	11,734

In 2005 Interest bearing long-term other provisions increased by €(k) 61 (prev. year €(k) 88) due to the elapsed time.

18. Liabilities

The remaining terms and collateralisation of the liabilities are shown in the following overview:

	Remaining term		Total amount	Secured through liens and similar rights	Type and form of the securities
	up to 1 year €	more than 5 years €	31/12/2005 €	€	
Financial liabilities	10,332.00 (prev. year €(k) 6)	0.00 (prev. year €(k) –)	143,250.00 (prev year €(k) 81)	23,250.00 (prev. year €(k) –)	Collateral assignment motor vehicle
Trade liabilities	10,261,121.35 (prev. year €(k) 10,627)	0.00 (prev. year €(k) –)	10,261,121.35 (prev. year €(k) 10,627)		Usual reservation of property rights
Deferred tax liabilities	0.00 (prev. year €(k) –)	0.00 (prev. year €(k) –)	499,675.24 (prev. year €(k) 1,125)		
Current income tax liabilities	640,323.49 (prev. year €(k) 932)	0.00 (prev. year €(k) –)	640,323.49 (prev. year €(k) 932)		
Other liabilities	9,428,013.64 (prev. year €(k) 7,416)	0.00 (prev. year €(k) –)	10,744,842.22 (prev. year €(k) 7,440)		
- from taxes (not income tax)	2,851,046.64 (prev. year €(k) 3,502)				
- within the scope of social security	1,297,430.84 (prev. year €(k) 1,041)				
	20,339,790.48 (prev. year €(k) 18,981)	0.00 (prev. year €(k) –)	22,289,212.30 (prev. year €(k) 20,205)		

There are trade liabilities of €(k) 27 (prev. year €(k) 248) to companies with whom an equity interest exists.

19. Financial liabilities

	31/12/2005 €(k)	31/12/2004 €(k)
Non-current financial liabilities		
Loan from a fund for the promotion of research	120	75
Long-term liabilities to banks	13	–
	133	75
Current financial liabilities		
Current liabilities to banks	10	6
Total financial liabilities	143	81

The financial liabilities are collateralised in the amount of €(k) 23 through assignment of a motor vehicle as security (prev. year €(k) –).

20. Other liabilities

Other liabilities are broken out as follows:

	31/12/2005 €(k)	31/12/2004 €(k)
Other long-term liabilities		
Advance payments on orders	1,300	–
Deferred grants recieved	17	24
	1,317	24
Other current liabilities		
Wage tax, VAT, and other tax liabilities	2,851	3,502
Deferred credits to income	2,569	555
Advance payments on orders	2,251	1,675
Liabilities from social security contributions	1,297	1,041
Debitors with credit balances	151	368
Liabilities to employees	93	62
Handicapped levy	31	40
Deferred grants recieved	7	7
Other	178	166
	9,428	7,416
Total other liabilities	10,745	7,440

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

21. Segment report

In these statements the business segments *Services*, *Software* and *Resourcing* are defined as primary report format for the segment report (last year's financial statements referred to these segments as Business Processing Outsourcing). All activities in conjunction with IT solutions (services and projects) are summarised in the *Services* segment. The *Software* segment involves in-house software product development, sales of the same, as well as the associated services. *Resourcing* includes the provision of freelance IT specialists, as well as the emagine Hauptversammlungsservice, which was still included in the previous year (see point 22). The business segment report is presented in Appendix 2 of the Notes on the consolidated financial statements.

	Services		Software		Resourcing	
	31/12/2005 €(k)	31/12/2004 €(k)	31/12/2005 €(k)	31/12/2004 €(k)	31/12/2005 €(k)	31/12/2004 €(k)
Revenues						
External sales	77,370	74,900	5,600	6,419	37,974	44,208
Inter-segment sales	–	–	470	–	11	1,578
Total revenues	77,370	74,900	6,070	6,419	37,985	45,786
Result						
Segment result	2,957	-1,479	-732	-484	686	2,281
Unallocated income / expenses						
Operating result						
Interest expenses						
Interest income						
Share of net profits of associates						
Result pre taxes						
Taxes on income						
Net loss						
Other information						
Segment assets	45,436	42,374	1,855	1,786	17,326	15,064
Investment in equity method associates						
Unallocated corporate assets						
Consolidated total assets						
Segment liabilities	22,002	20,172	2,155	1,456	8,079	8,141
Unallocated corporate liabilities						
Consolidated total liabilities						
Capital expenditure	841	768	171	134	44	71
Depreciation	1,047	3,634	147	163	43	281
Non-cash expenditure other than depreciation	–	771	–	–	–	–

	Sum		Eliminations		Consolidated	
	31/12/2005 €(k)	31/12/2004 €(k)	31/12/2005 €(k)	31/12/2004 €(k)	31/12/2005 €(k)	31/12/2004 €(k)
	120,944	125,527				
	481	1,578	-481	-1,578		
	121,425	127,105	-481	-1,578	120,944	125,527
	2,911	318			2,911	318
					-2,062	-2,923
					849	-2,605
					-33	-78
					762	488
					–	–
					1,578	-2,195
					-514	-1,671
					1,064	-3,866
	64,617	59,224			64,617	59,224
			13,741	16,604	13,741	16,604
					78,358	75,828
	32,236	29,769			32,236	29,769
			1,665	2,947	1,665	2,947
					33,901	32,716
	1,056	973	21	113	1,077	1,086
	1,237	4,078	25	213	1,262	4,291
	–	771	496	168	496	939

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

In addition to the segment data on business areas aligned to the corporate structure the following table shows the regional data in accordance with IAS 14 (secondary segment information)

	Foreign revenue *		Book value of the segment asset		Investments in property, plant and equipment, and intangible assets	
	2005 €m.	2004 €m.	2005 €m.	2004 €m.	2005 €m.	2004 €m.
Germany	81.3	84.4	57.2	60.2	0.7	0.6
Spain	12.3	13.1	12.2	7.1	0.3	0.2
United Kingdom	9.6	14.5	6.5	5.8	0.0	0.0
Switzerland	4.2	4.8	1.2	1.6	0.0	0.1
Brazil	4.6	–	0.0	–	0.0	–
Other foreign countries	8.9	8.7	1.3	1.1	0.1	0.1
Total	120.9	125.5	78.4	75.8	1.1	1.0

* Determined by customer location

22. Other operating income

These items include:	2005 €(k)	2004 €(k)
Liquidation of provisions	1,535	2,626
Income from the sale of the "GFT Media" division	723	–
Income from the sale of the "emagine Hauptversammlungsservice"	438	–
Benefits in kind – employee private motor vehicle use	303	357
Income from the reduction of value adjustments and payments received for written off receivables	258	72
Income from derecognition of liabilities	229	–
Income from disposals and write-ups of securities	131	93
Grants from private and public organisations	123	361
Out of period income	92	212
Rental income	80	44
Insurance recoveries	57	7
Income from the disposal of fixed assets	19	22
Income in conjunction with the purchase of GFT Technologies (India) Private Limited, Trichy, India	17	183
Income from exchange rate differences	15	215
Other	299	396
	4,319	4,588

Effective as of 30 September 2005 the Group sold the GFT Media division with 14 employees and realised an income of €(k) 723. This income can be reduced by a maximum of €(k) 400, if the purchaser does not reach certain revenue goals by 30 September 2006. The sold division had sales of € 2.0m. in financial year 2004 with a positive contribution to earnings. This is not a discontinued division in the sense of IFRS 5.

Effective 1 January 2005 the group sold the division "emagine Hauptversammlungsservice" with 9 employees and realised income of €(k) 438. The sold division produced revenue of € 1.1m. In financial year 2004 with a slightly negative contribution to results. This is not a discontinued division in the sense of IFRS 5.

The grants of private and public institutions in 2005 are grants from local promotional organisations in Austria and Spain. If they were granted as a percentage of incurred expenses then they are shown in the periods of the corresponding expense as income. If grants were received for activated investments then they are taken over the useful life of the investment in a manner that affects earnings.

The other operating income includes income that is ascribed to another financial year in the amount of €(k) 2,133 (prev. year €(k) 2,874). They involve liquidation of provisions (€(k) 1,535; €(k) 2,626), reduction of value adjustments and incoming payments on written-off receivables (€(k) 258; prev. year €(k) 14), other (€(k) 229; prev. year €(k) –), other out of period income (€(k) 92; prev. year €(k) 212) and profits from sales of non-current assets (€(k) 19; prev. year €(k) 22).

23. Material expenses, personnel expenses

In addition to expenses for software and hardware resold as part of projects (€(k) 549; prev. year €(k) 522) in the material expenses the vast majority of expenses for services rendered from outside personnel (consultants, software developers) and subcontractors are also included (€(k) 47,002; prev. year €(k) 50,468), this also includes expenses for freelance agency revenue.

Personnel expenses include expenses for GFT Group's own personnel. Expenses for old-age benefits were €(k) 660 (prev. year €(k) 725).

24. Depreciation

The Depreciation on long-term intangible assets and fixed assets in financial year 2005 include no depreciation on goodwill (prev. year €(k) 2,467). The amortisation of goodwill in the previous year was due to scheduled depreciation of €(k) 2,410 and non-scheduled depreciation of €(k) 57 due to impairments. Amortisation of goodwill in the previous year was reduced by liquidation of negative goodwill of €(k) 78 (2005: €(k) –).

The depreciation on long-term intangible assets and fixed assets in financial year 2005 includes no non-scheduled amortisation on goodwill due to the impairments (prev. year €(k) 57).

The items depreciation on financial assets and on securities involve losses from changes in the fair value of securities (€(k) 496; prev. year €(k) 168) as well as non-scheduled depreciation in 2004 on the investment (10 %) in incowia GmbH (formerly GFT systems GmbH). Ilmenau (€(k) –; prev. year €(k) 82).

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

25. Other operating expenses

Other operating expenses are broken out as follows:

	2005 €(k)	2004 €(k)
Operating expenses	5,639	6,184
Distribution expenses	6,509	7,328
Administrative expenses	4,730	5,255
Expenses due to empty standing of rented space	224	80
Value adjustments and uncollectable receivables	136	272
Project losses, contract penalties, warranties	134	609
Out of period expenses	51	35
Exchange rate losses	25	157
Losses from disposal of fixed assets	15	44
Loss from the sale of 71 % of the shares in GFT Systems GmbH, Ilmenau	–	771
Other operating expenses	173	117
	17,636	20,852

Other operating expenses include €(k) 66 (prev. year €(k) 79) relating to the previous year.

26. Research and development expenses

In financial year 2005 total expenses of €(k) 5,437 have been reported for research and development (prev. year €(k) 5,797). In this regard the group reports the expenses for development of new technologies (€(k) 4,086; prev. year €(k) 4,371), as well as expenses for qualification of personnel in fields that are new for the Group (€(k) 1,351; prev. year €(k) 1,426).

27. Interest income, interest expenses

The interest result:

	2005 €(k)	2004 €(k)
Other interest and similar income		
Interest from securities	560	266
Interest on bank balances	124	207
Interest on tax receivables	78	15
	762	488
Interest and similar expenses		
Interest on financial liabilities	-23	-21
Interest on tax debts	-10	-57
	-33	-78
Interest result	729	410

Other Data

28. Business combinations during the financial year

In November 2005 GFT acquired 100 % of the shares in GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil. This is a shelf company that was acquire to extend the Brazilian production capacity, however in 2005 it did not exercise any operating activity. The acquisition costs were €(k) 1 and were paid in cash. The acquired company only had a bank credit of €(k) 1 as assets. Through the business combination no goodwill was created. From the time of the acquisition to 31 December 2005 the acquired company showed a loss of €(k) 2 that flowed into the 2005 net income of the GFT Group.

29. Business mergers after the balance sheet key date

On 10 February 2006 GFT AG purchased 100 % of the shares in GFT Business Development GmbH, Eschborn. This is a stocking company that was purchased exclusively to extend business activities in southern and eastern Europe including the CIS states, but which has since that date not carried out any operating activities. The purchase costs totalled €(k) 28 and were paid in cash. The purchased company simply has assets totalling a bank credit of €(k) 13 and outstanding deposits totalling €(k) 12. The company merger produced forecast goodwill totalling €(k) 3.

With the purchase contract dated 26 January 2006 – hereafter called “purchase contract” – GFT AG purchased all the business shares in the following companies with effect from 31 January 2006:

1. PARITY EUROSOFT S.A.R.L., Paris, France
2. PARITY BETEILIGUNGSGESELLSCHAFT GMBH, Frankfurt am Main
including the subsidiaries
Parity Selection GmbH, Munich
Parity Eurosoft GmbH, Frankfurt am Main and
Parity Business Solutions GmbH, Frankfurt am Main.
- all called "Parity Mainland Europe".

With this purchase GFT AG purchased the Resourcing Solutions division from Parity in Germany and France. The division covers the management of external IT service providers ranging from locating experts via service provider contract management to billing and reporting. The purchase aims to expand the existing GFT Segment *Resourcing* and accelerate the expansion of business in France.

The initial purchase price for all the business shares in Parity Mainland Europe is €(k) 5,893 and according to the purchase contract is shared as follows over the companies purchased:

	€(k)
PARITY EUROSOFT S.A.R.L.	1,000
PARITY BETEILIGUNGSGESELLSCHAFT GMBH	4,893

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

The purchase contract includes adaptation mechanisms that could result in a change to the purchase price depending on data not yet known at present. From today's perspective before including any future changes to the purchase price are comprised as follows:

	€(k)
Purchase price	5,893
Due diligence, legal, consulting and notary costs	220
Total purchase costs	6,113

The purchase costs are to be paid in cash or by taking over liabilities.

The sums applied to each class of assets and debts of the purchased companies at the time of purchase are as follows:

	Book value = current value €(k)
Trade payables	
Long-term assets	
Tangible assets / property, plant and equipment	37
Short-term assets	
Receivables and other assets	14,111
Liquid funds	1,015
	15,126
	15,163
Debts	
Short-term debts	
Provisions for taxation	467
Other Provisions	4,478
Liabilities	8,180
	13,125
Net assets acquired	2,038
Goodwill	4,075
Purchase costs	6,113

The factors that contributed to the purchase costs that were used to set the goodwill, are as follows:

- a. Qualification and activity of Parity Mainland Europe employees
- b. Positioning of Parity Mainland Europe with the customers including existing framework agreements
- c. Current, comprehensive, maintained database of available IT service providers.
- d. Process expertise on the cost-effective processing of temporary freelancers
- e. Expected synergy potential with the GFT Group customers.

It is not possible to identify immaterial assets separate from goodwill.

30. Cash flow statement

The GFT Group cash flow statement for the 2005 financial year is shown separately. The additional information as per IAS 7 is indicated as follows:

The financial fund on which the cash flow statement is based is comprised of payment means and items equivalent to payment means (cash and bank balances); it matches the balance sheet items of the same name. There are no restrictions on accessing the bank balances (2004: €(k) 33).

The cash flow from taxes on income for the 2005 financial year amounts to €(k) -37 (net pay-out; previous year €(k) -944); like the cash flow resulting from interest, it is included in the cash flow from ongoing business activities. Interest paid during the 2005 financial year totals €(k) 34 (previous year: €(k) 76), deposits from interest income total €(k) 578 (previous year: €(k) 415).

The following table provides information relating to company acquisitions in 2005:

	Purchase price €(k)	Cash share of purchase price %	Cash acquired €(k)	Other assets acquired €(k)	Liabilities acquired €(k)
Purchased in 2005					
Included companies	1	100.0	1	—	—

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

31. Net earnings per share

The earnings per share as per IAS 33 for the GFT Group are shown in the following table.

	2005 €	2004 €
Undiluted earnings per share as per IAS 33	0.04	-0.14
- current result allowed for	1,064,423	-3,809,398
- no. of ordinary shares allowed for	26,325,946	26,325,946
Diluted earnings per share as per IAS 33	0.04	-0.14
- current result allowed for	1,064,423	-3,809,398
- no. of ordinary shares allowed for	26,325,946	26,325,946

After the completion of the most recently arranged GFT AG share option programme on 1 July 2005, no diluted potential ordinary shares could be produced. As of 31 December 2004 it was not necessary to determine the diluted earnings per share since as of the balance sheet date none of the stated criteria for exercising the subscription rights had been met.

32. Reporting on financial instruments

GFT is subject to currency, interest rate change and loss risks as part of its normal business activity and these can affect the assets, financial and earnings position. The key risks and their treatment are shown below.

Currency risk

Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents exist in a currency that is different to the company's local currency. The GFT Group currently has a low currency risk because the key contractual relationships between customers and suppliers are conducted in euros. For this reason no hedging instruments are used in the form of derivatives to reduce currency risks.

Interest rate risk

An interest rate risk, i.e. changes to the value of a financial instrument or future payments from a financial instrument resulting from changes to the market interest rate, primarily exist for financial assets and debts with terms over one year. The financial assets and debts with a term above one year that existed on the key closing date have no important interest rate change risks because of their low value.

Other interest rate risks exist for agreed, variable interest rates for securities' investments. In selected cases these interest rate risks are hedged using derivatives, especially interest rate swaps.

Risk of losses

The risk of losses from financial assets is the risk of the failure of a contractual partner and therefore the maximum level of the positive current values with the relevant contractual partner. Forming write-downs for the loss of receivables considers the risk from original financial instruments. There are no derivatives with a positive current value and there is therefore no risk of loss.

Original financial instruments

The balance sheet shows the level of original financial instruments (refer to Point 6).

Derivative financial instruments

On 31 December 2005 there was an interest rate "swap" derivative in place with a nominal value of €(k) 1,000 and a current value of €(k) -40. The current value was determined using the market-to-market valuation method at the end-of-day mid-market rate. The derivative is recorded as of 31 December 2005 with a book value of €(k) -40 as short-term debt in the other provisions balance sheet item. In economic terms the interest rate swap is a hedge but does not meet the strict criteria of IAS 39 for hedge accounting. The change to the current value was included in the profit and loss account and directly affects the results. There were no derivatives as of 31 December 2004.

The total value of the change to the current value of the financial instruments estimated with the aid of a valuation method that was recorded with an effect on the results for the reporting period totalled €(k) 40.

33. Contingencies

The GFT group has access to bank custody accounts totalling €(k) 5,009 (prev. year: €(k) 3,454), only with the express consent of the corresponding banks. Furthermore securities totalling security of €(k) 250 (previous year €(k) 250) have been pledged to secure existing pensions to authorised people. The bank balances include notary trust accounts totalling €(k) – (previous year: €(k) 33) to which the company has only restricted access.

34. Other Financial Obligations

	2005 €(k)	2004 €(k)
Obligations from temporary rental, leasing and licensing contracts at nominal value:		
- 2006	3,754	4,195
- 2007 – 2009	6,629	4,835
- 2010 and later (excluding obligations unlimited in time)	2,154	1,771
	12,537	10,801
Annual obligations from open-ended rental contracts:	517	430

GFT Technologies Aktiengesellschaft, St. Georgen**Notes to the Consolidated Statements**

as of 31 December 2005

35. Relationships with affiliated companies and persons

Deutsche Bank AG and its subsidiary ARGFRAN Beteiligungs Aktiengesellschaft, both based in Frankfurt am Main, which to date have been affiliated to the company and at the start of the year held 19.9 % of the GFT AG shares, reduced their interest to 2.47 % on 14 February 2006 as per the notification received by us. The GFT Group recorded revenue with companies in the Deutsche Bank Group totalling € 75.1m. (previous year: € 77.7m.) in the 2005 financial year; the services were charged at usual market rates. On 31 December 2006 there were receivables with companies in the Deutsche Bank Group totalling € 5.2m. (previous year: € 4.1m.); these are exclusively trade receivables.

A group of affiliated people are those who held shares in the company before the initial public offering in June 1999. The pre-IPO shareholders include the Executive Board members Mr. Ulrich Dietz, Ms. Maria Dietz who is the authorised clerk for GFT AG and the former Executive Board member (to 31 August 2003) and Supervisory Board member (to 31 December 2005) Dr. Markus Kerber. Ulrich Dietz and Maria Dietz have informed the company that as of 1 April 2002 29.94 % and 9.67 % of voting rights in GFT Technologies AG are imputable to them. As of 31 December 2005 Ulrich Dietz holds 26.04 % (previous year: 27.75 %) of the GFT shares. At the time that Dr. Markus Kerber left the Executive Board as of 31 August 2003 he owned 4.39 % of the GFT shares; as of 31 December 2005 he owns 4.39 % of GFT shares. There were no other relationships or transactions in the 2005 financial year in addition to the existing employment relationships with the people stated.

In the 2005 financial year Executive Board member Marika Lulay owned one share (=0.33 %) in the GFT Technologies (Schweiz) AG, Wallisellen / Switzerland subsidiary.

We refer to the following section on parent company organs for the composition of people affiliated to the Executive and Supervisory Boards, their remuneration and ownership of GFT shares.

36. Parent company organs**Executive Board****Mr. Ulrich Dietz**, Chief Strategy and Marketing, Officer, CEO

Supervisory Board seats:

GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain (Deputy Chairman)

Sparkasse Schwarzwald-Baar (Member of the Board of Administration)

further memberships in comparable controlling bodies:

Deutsche Bank AG, Stuttgart (Member of the Advisory Council)

Ms. Marika Lulay, Chief Production and Sales Officer

Supervisory Board seats:

GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain

GFT Technologies (Schweiz) AG, Wallisellen (Member of the Board of Administration)

GFT UK Limited, London (Member of the Board)

GFT Technologies (India) Private Limited, Trichy, India (Member of the Board)

Dr. Jochen Ruetz, Chief Finance and Accounting Officer and Personnel Director

Supervisory Board seats:

G. Elsinghorst Handelsgesellschaft mbH, Bocholt

GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain (since 28 April 2005)

Supervisory Board

Mr. Franz Niedermaier, former Managing Director of Oracle Deutschland GmbH, Chairman of the Supervisory Board

further Supervisory Board seats:

SECARON AG, Munich

Intrafind Software AG, Munich (Chairman) (since 21 December 2005)

Dr. Gerhard Barth, former member of Executive Board, Dresdner Bank AG

Dr. Thorsten Demel, Chief Operating Officer Global Technology Deutsche Bank AG

further Supervisory Board seats:

DB Payments Projektgesellschaft für Zahlungssysteme mbH, Frankfurt (until 30 June 2005)

GZS Gesellschaft für Zahlungssysteme mbH, Bad Vilbel (since 16 June 2005)

Pago eTransaction GmbH, Cologne

sinus GmbH, Düsseldorf (until 6 February 2006)

Dr. Markus Kerber, former member of GFT Technologies AG Executive Board, St. Georgen

(until 31 December 2005, until then deputy chairman)

further Supervisory Board seats:

The Eureka Interactive Fund Limited, George Town, Cayman Islands (until 30 April 2005)

Computershare Limited, Melbourne, Australia

Dr. Simon Kischkel, Project Director GFT Technologies AG, in St. Georgen (employee)

Dr. Peter Opitz, Lawyer (since 27 January 2006)

Ms. Ingrid Schmidt, Project Manager GFT Technologies AG, in St. Georgen (employee)

Total remuneration for the Executive Board for the 2005 fiscal year amounted to €(k) 1,196 (prev. year: €(k) 1,094). It is exclusively due in the short term as defined by IAS 24.

GFT Technologies Aktiengesellschaft, St. Georgen

Notes to the Consolidated Statements

as of 31 December 2005

Total remunerations for the Supervisory Board for the 2005 fiscal year amounted to €(k) 56 (prev. year: €(k) 56). It is exclusively comprised of fixed, non-performance related elements and is divided up as follows:

Supervisory Board Members	Remuneration in €
Franz Niedermaier	15,000
Dr. Markus Kerber	11,250
Prof. Dr. Gerhard Barth	7,500
Dr. Thorsten Demel	7,500
Dr. Simon Kischkel	7,500
Ingrid Schmidt	7,500
	56,250

In the 2005 financial year no remuneration was paid nor advantages granted to members of the Supervisory Board for services that they provided in person.

The stocks of GFT shares held by members of the Group's organs in the 2005 financial year are comprised as follows:

Executive Board Members	Ulrich Dietz Quantity	Marika Lulay Quantity	Dr. Jochen Ruetz Quantity	Total Quantity
Shares				
As of 01/01/2005	7,306,240	2,500	26,000	7,334,740
Additions	0	2,500	14,000	16,500
Subtraction	-450,000	0	0	-450,000
As of 31/12/05	6,856,240	5,000	40,000	6,901,240

Supervisory Board Members Shares	Franz Niedermaier Quantity	Prof. Dr. Gerhard Barth Quantity	Dr. Thorsten Demel Quantity	Dr. Markus Kerber Quantity	Dr. Simon Kischkel Quantity	Ingrid Schmidt Quantity	Total Quantity
As of 01/01/2005	0	0	0	1,155,258	1,302	1,000	1,157,560
Additions	10,000	0	0	0	0	0	10,000
Subtraction	0	0	0	0	0	0	0
As of 31/12/2005	10,000	0	0	1,155,258	1,302	1,000	1,167,560

The 1500 preference rights held by Ms. Schmidt on 1 January 2005 for GFT shares from the "2000/2005" share option program lapsed on 1 July 2005 without being exercised.

37. Employees

In the 2005 financial year there were on average 1,010 employees, in 2004 952.

38. Honorarium for the Balance Sheet Auditor

The honorarium recorded for the auditors of the consolidated accounts, Grant Thornton GmbH Wirtschaftsprüfungsgesellschaft, as an expense in the 2005 financial year totalled:

	€(k)
Auditing of financial statements	167
Other ratification or valuation services	65
Tax accountancy services	–
Other services provided to the parent company or subsidiaries	4
	236

39. Events after the balance sheet key date

By 6 March 2006 the following events after the balance sheet date had occurred:

As of 31 January 2006 GFT AG purchased the Resourcing Solutions Division from Parity in Germany and France (refer to Point 29).

On 10 February 2006 GFT AG purchased the stocking company GFT Business Development GmbH, Eschborn (refer to Point 29).

In February 2006 the ownership structure of GFT AG changed (refer to Point 40).

40. Data pursuant to § 160, Par. 1, No. 8 of the Companies Act

On 14 February 2006, GFT AG was informed by the KST Beteiligungs Aktiengesellschaft in Stuttgart, of the existence of equity interest, the content of which was made public as follows:

“KST Beteiligungs Aktiengesellschaft, with headquarters in Stuttgart, has informed us via a communication dated 14 February 2006, pursuant to § 21 Par. 1 of the German Securities Trading Act (WpHG), that its voting right percentage in GFT Technologies AG exceeded the voting rights threshold of 5 % on 14 February 2006, and presently amounts to 7.06 %.”

On 15 February 2006, GFT AG was informed through the Deutsche Bank AG, Frankfurt am Main, of the existence of equity interest, the content of which was made public as follows:

“The Deutsche Bank Aktiengesellschaft, with headquarters in Frankfurt/M, has informed us through a communication dated 15 February 2006, pursuant to § 21 Par. 1 of the German Securities Trading Act (WpHG), that its voting right percentage in GFT Technologies AG exceeded the voting rights thresholds of 10 % and 5 % on 14 February 2006, and presently amounts to 2.47 %.” It was further communicated that this voting right percentage of 2.47 % is to be imputed to the Deutsche Bank Aktiengesellschaft pursuant to § 22 Par. 1 Sentence 1 No. 1 of the German Securities Trading Act.

GFT Technologies Aktiengesellschaft, St. Georgen**Notes to the Consolidated Statements**

as of 31 December 2005

On 3 April 2002, GFT AG was informed by Mr. Ulrich Dietz and Mrs. Maria Dietz, of St. Georgen, of the existence of equity interest, the content of which was made public as follows:

"Mr. Ulrich Dietz, domiciled in St. Georgen, informed us on 3 April 2002, pursuant to § 41, Par. 2, sentence 1 of the German Securities Trading Act, that 29.94 % of the voting rights in GFT Technologies AG are imputable to him as of 1 April 2002. Mrs. Maria Dietz, domiciled in St. Georgen, informed us on 3 April 2002, pursuant to § 41, Par. 2, sentence 1 of the German Securities Trading Act, that 9.67 % of the voting rights in GFT Technologies AG are imputable to her as of 1 April 2002."

On 27 January 2004, GFT AG was informed by Deutsche Post AG in Bonn, of the existence of equity interest, the content of which was made public as follows:

"Deutsche Post AG, with headquarters in Bonn, informed us on 27 January 2004, pursuant to §§ 21 Par 1, 24 of the German Securities Trading Act, that the voting right percentage of Deutsche Post World Net Business Consulting GmbH (previously: Deutsche Post eBusiness GmbH), with headquarters in Bonn, fell short of the threshold of 10 % on 28 August 2003, and amounted to 0 %.

Furthermore, Deutsche Post AG informed us on 27 January 2004, pursuant to § 21 Par. 1 in connection with § 22, Par. 1, Sentence 1 No. 1 of the German Securities Trading Act, that its voting right percentage in GFT Technologies AG also exceeded the threshold of 10 % on 28 August 2003, and amounted to 11.8 %. The voting rights were imputed to Deutsche Post AG to date, pursuant to § 22, Par. 1, sentence 1 No. 1 of the German Securities Trading Act.

In its communication dated 27 January 2004, pursuant to §§ 21 Par. 1 of the German Securities Trading Act (Correction of the communication dated 14 January 2004, announcement in the financial paper of 17 January 2004), Deutsche Post AG informed us that its voting right percentage in GFT Technologies AG fell short of the threshold of 10 % on 29 December 2003, and amounted to 4.2 %."

On 29 January 2004, GFT AG was informed by the Federal Agency for Mail and Telecommunications Deutsche Bundespost, in Bonn, of the existence of equity interest, the content of which was made public as follows:

"The Federal Agency for Mail and Telecommunications Deutsche Bundespost, with headquarters in Bonn, informed us on 29 January 2004, pursuant to § 21 Par. 1, Sentence 1, 22 Par. 1, Sentence 1 No. 1 of the German Securities Trading Act, that the voting right percentage of the Federal Republic of Germany in GFT Technologies AG fell short of the threshold of 10 % on 29 December 2003, and amounted to 4.2 %. This voting right is to be imputed to the Federal Republic of Germany, pursuant to § 22, Par. 1, sentence 1 No. 1 of the German Securities Trading Act."

41. Issuance of the Statement on the German Corporate Governance Code pursuant to § 161 of the Companies Act

On 12 December 2005, the Executive Board and the Supervisory Board issued the updated Declaration of Conformity pursuant to § 161 of the Companies Act, and made it available to all shareholders on the Company's website as of 15 December 2005.

St. Georgen, 6 March 2006
GFT Technologies Aktiengesellschaft
Executive Board



Ulrich Dietz
Executive Board
(Chairman)



Marika Lulay
Executive Board



Dr. Jochen Ruetz
Executive Board

GFT Technologies Aktiengesellschaft, St. Georgen**Auditor's report**

We have audited the consolidated financial statements of the GFT Technologies Aktiengesellschaft, St. Georgen (comprising balance sheet, income statement, changes in shareholder's equity statement, cash flow statement, and notes to the financial statements) and its summarised management and Group management report for the business year from 1 January 2005 to 31 December 2005. The preparation of consolidated financial statements and the summarised management report and Group management report in accordance with the International Financial Reporting Standard (IFRS) as it is used in the EU and the supplementing commercial law guidelines that are used in accordance with Article 315a, Section 1 of the German Commercial Code are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the summarised management report and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and earnings situation in the annual financial statements in accordance with German principles of proper accounting and in the summarised management report and 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 books and records, and in the consolidated financial statements and management report and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the financial statements of the companies included in the consolidated financial statements, the segregation of the consolidated group, the accounting and consolidation principles used, and the significant estimates made by legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the summarised management report and 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 of GFT Technologies Aktiengesellschaft, St. Georgen satisfy the IFRS as it is applied in the EU, and the supplemental commercial law guidelines that are used in accordance with Article 315a, Section 1 of the German Commercial Code, and with due consideration of these guidelines give a true and fair view of the net assets, financial situation, and earnings situation of the Group in accordance with the actual conditions. The summarised management report and Group management report agree with the consolidated financial statements, and as a whole provides a suitable view of the Group's situation and accurately represents the opportunities and risks of future development.

Without limiting this opinion, we note that the continued existence of the subsidiaries GFT Solutions GmbH, Hamburg, GFT Technologies (Schweiz) AG, Wallisellen/Switzerland, and GFT Technologies GmbH, Vienna/Austria is at risk due to sustained operating losses, and that the continued existence of these companies was secured through support measures on the part of GFT Technologies Aktiengesellschaft. GFT Technologies Aktiengesellschaft has obligated itself relative to its subsidiaries, GFT Solutions GmbH and GFT Technologies (Schweiz) AG, to carry out the measures necessary to avert excessive debt or insolvency of the respective company.



Müller
Auditor

Stuttgart, 10 March 2006
Grant Thornton GmbH
Wirtschaftsprüfungsgesellschaft



Hämmerle
Auditor



Annual Financial Statements GFT Technologies AG

Balance Sheet	114
Income Statement	116
Notes	117
Board of Directors	128
Auditor's report	129

GFT Technologies Aktiengesellschaft, St. Georgen

Balance Sheet (HGB)

as of 31 December 2005

	31/12/2005 €	31/12/2004 €
Assets		
A. Non-current assets		
I. Intangible assets		
1. Licences, industrial property rights and similar rights and values	175,396.74	167,669.00
2. Goodwill	0.00	0.00
	175,396.74	167,669.00
II. Tangible assets / property, plant and equipment		
Other equipment, office and factory equipment	986,365.08	1,118,664.00
III. Financial assets		
1. Shares in affiliated companies	9,103,629.43	9,138,707.10
2. Investments	0.00	0.00
	9,103,629.43	9,138,707.10
	10,265,391.25	10,425,040.10
B. Current assets		
I. Inventories		
Unfinished services	1,371,890.82	3,683,986.05
II. Receivables and other current assets		
1. Trade receivables	6,838,395.94	4,427,299.00
2. Receivables from affiliated companies	3,024,577.36	1,412,471.22
3. Other assets	1,137,285.48	1,106,317.48
	11,000,258.78	6,946,087.70
III. Securities		
Other securities	7,354,700.00	9,818,920.25
IV. Cash balance, cash at banks	16,230,843.15	17,309,199.83
	35,957,692.75	37,758,193.83
C. Accruals and deferrals	133,890.12	104,953.56
D. Deferred tax assets	248,996.00	228,592.00
	46,605,970.12	48,516,779.49

Liabilities	31/12/2005 €	31/12/2004 €
A. Equity		
I. Share capital	26,325,946.00	26,325,946.00
- Conditional capital € 8,280,000.00 (prev. year € 8,280,000.00)		
II. Capital reserve	27,943,824.20	27,943,824.20
III. Revenue reserves		
1. Legal reserve	1,387.65	1,387.65
2. Other revenues reserve	2,343,349.97	2,343,349.97
IV. Loss brought forward	-33,987,557.78	-32,837,638.79
V. Net income (Net loss prev. year)	2,763,579.50	-1,149,918.99
	25,390,529.54	22,626,950.04
B. Provisions		
1. Provisions for pensions	190,269.00	200,571.00
2. Provisions for taxation	596,370.00	576,748.00
3. Other provisions	6,064,133.34	6,388,489.83
	6,850,772.34	7,165,808.83
C. Liabilities		
1. Liabilities to banks	23,250.00	5,807.49
2. Advance payments on orders	1,909,914.60	5,843,243.87
3. Trade liabilities	8,961,773.58	8,488,180.05
4. Liabilities to affiliated companies	1,054,236.85	1,692,390.01
5. Liabilities to companies with which there is an investment	27,119.65	219,050.06
6. Other liabilities	2,232,185.38	2,379,968.26
	14,208,480.06	18,628,639.74
D. Accruals and deferrals	156,188.18	95,380.88
	46,605,970.12	48,516,779.49

GFT Technologies Aktiengesellschaft, St. Georgen

Income Statement (HGB)

for the period from 1 January 2005, to 31 December 2005

	2005 €	2004 €
1. Revenue	78,918,439.20	71,690,551.96
2. Decrease (prev. year: increase) in inventories for unfinished services	-2,312,095.23	1,054,960.88
3. Other operating income	5,625,467.56	6,515,895.59
	82,231,811.53	79,261,408.43
4. Cost of materials:		
a) Costs of purchased goods	18,319.62	37,569.14
b) Costs of purchased services	51,303,335.90	50,980,870.69
	51,321,655.52	51,018,439.83
5. Personnel expenses:		
a) Salaries and wages	17,196,967.10	16,692,059.57
b) Social security and expenditures for retirement pensions - of which for retirement pensions € 54,018.77 (prev. year: €(k) 95)	2,627,219.16	2,800,550.20
	19,824,186.26	19,492,609.77
6. Depreciation on intangible assets and tangible assets/property, plant and equipment	523,371.53	752,781.10
7. Other operating expenses	9,488,006.61	10,367,826.42
	1,074,591.61	-2,370,248.69
8. Income from investments - of which from affiliated companies € 1,500,000.00 (prev. year: €(k) 1,700)	1,500,000.00	1,700,000.00
9. Other interest and similar income - of which from affiliated companies € 27,851.96 (prev. year: €(k) 39)	730,491.50	425,278.22
10. Depreciation on financial assets and on securities classified as current assets	531,377.67	847,564.37
11. Interest and similar expenses - of which to affiliated companies € 2,794.45 (prev. year: €(k) 3)	7,360.88	38,311.84
	1,691,752.95	1,239,402.01
12. Result from ordinary business activities	2,766,344.56	-1,130,846.68
13. Taxes on income	-16,246.31	295.86
14. Other taxes	19,011.37	18,776.45
	2,765.06	19,072.31
15. Net income (prev. year: net loss)	2,763,579.50	-1,149,918.99

GFT Technologies Aktiengesellschaft, St. Georgen

Notes (HGB)

as of 31 December 2005

I. General Data on the Annual Financial Statement and on the Accounting and Valuation Methods

1. General information

The annual financial statement for GFT Technologies Aktiengesellschaft (hereinafter referred to as "GFT AG" or "the Company") was prepared in Euro pursuant to the regulations of the German commercial code (HGB) and the Companies Act (AktG). The profit and loss statement was prepared pursuant to the total cost method. The Company is a large public limited company in terms of § 267 of the German commercial code.

2. Accounting and Valuation Methods

Goodwill acquired is capitalised and amortised according to schedule over fifteen years. Other intangible assets acquired are valued at cost, reduced by scheduled linear depreciation amounts. The regular useful life is of three years.

Tangible fixed assets are valued at cost, reduced by scheduled wear-and-tear depreciation amounts. The depreciations for movable tangible fixed assets are made linearly over useful lives of three to thirteen years. Low-value capital goods are fully depreciated in the year of acquisition, and their disposal is also imputed in the year of acquisition.

The financial assets are valued at cost under observation of the lower-of-cost-or-market principle.

As far as the value of fixed assets calculated according to existing principles is higher than the value attached to it on the balance sheet date, it will be accommodated through special write-offs. As far as the reasons for depreciations carried out in previous years no longer exist, a write-up will be undertaken.

The valuation of unfinished services is carried out on the basis of manufacturing costs accrued. Projects with loss expectations are assessed at lower values.

With receivables, write-downs take into account identifiable single risks. The general credit risk is sufficiently accommodated with a general bad debt provision of 1.0 % (prev. year: 1.0 %) on receivables.

Securities are valued at cost or at lower market prices.

The fractional value of the pension obligations was calculated according to mathematical insurance methods based on a rate of interest of 6 %. The "2005 G Guideline Tables" by Prof. Klaus Heubeck (Cologne 2005) were used as a basis for the computation (prev. year: "1998 Guideline Tables" by Prof. Klaus Heubeck (Cologne 1998)). During business year 2005, the use of the new guideline tables led to expenditures totalling €(k) 2. The anniversary provisions are calculated at an interest rate of 5.5 %, using the same "2005 G Guideline Tables" as basis.

The "other provisions" take into account all identifiable risks and contingent obligations. If needed, the taxation provisions also include deferred tax liabilities, in addition to the actual liabilities.

GFT Technologies Aktiengesellschaft, St. Georgen

Notes (HGB)

as of 31 December 2005

The remaining assets and liabilities are reported at the nominal value or repayment amount.

Receivables and liabilities in a foreign currency are valued at the exchange rate corresponding to the transaction date. Losses from exchange rate fluctuations are taken into account.

II. Explanations of the Profit and Loss Calculation

1. Balance sheet

Non-current assets

The development of the assets is shown in the attachment on page 120 and 121.

Share Ownership

As of 31 December 2005, the Company held, directly and indirectly, shares of a minimum of 20 % in the following companies:

Name	Location	Share of the capital	Equity 31/12/2005	Results for the business year
Direct shareholding				
GFT Technologies (Switzerland) AG	Wallisellen, Switzerland	99 %	CHF 20,000.00	CHF 0.00
GFT Solutions GmbH	Hamburg	100 %	EUR 82,316.59	EUR -82,200.35
GFT Websolutions Kft,	Budapest	100 %	HUF 73,605,422	HUF -16,731,204
GFT Technologies GmbH	Vienna	100 %	EUR 20,000.00	EUR -101,939.20
GFT UK Limited	London	100 %	GBP 445,213.00	GBP 75,300.00
GFT Iberia Solutions, S.A.	Sant Cugat del Vallés, Spain	100 %	EUR 4,566,315.19	EUR 1,133,733.70
emagine gmbh	Eschborn	100 %	EUR 30,424.39	EUR 818.60
GFT Technologies (India) Private Limited	Trichy, India	100 %	INR 19,974,385	INR 4,354,407
Indirect shareholding				
Emagine Servicios de Consultoría e Informática, S.A.	Sant Cugat del Vallés, Spain	100 %	EUR 901,329.89	EUR 467,803.89
GFT Brasil Consultoria Informática Ltda.	São Paulo, Brazil	100 %	BRL 115,684.62	BRL -4,643.38

Receivables and Other Current Assets

The receivables from affiliated companies concern trade receivables in the amount of €(k) 6 (prev. year: €(k) 252) as well as other assets in the amount of €(k) 3,019 (prev. year: €(k) 1,160).

Deferred Tax Assets

The deferred tax assets shown pertain to differences between the commercial and tax balance sheets, in the valuation of the anniversary provisions. Taxes from income and earnings for the business year 2005 include revenue from the increase of deferred tax assets in comparison to the previous year's balance sheet date, in the amount of €(k) 20 (prev. year: €(k) 62).

Equity

As of 31 December 2005, share capital in the amount of € 26,325,946.00 exists out of 26,325.946 no-par value shares (unchanged as of 31 December 2004). The shares are made out to the owners and grant equal rights to all.

The transition from net income to accumulated loss pursuant to § 158 Par. 1 of the Companies act results as follows:

	2005 €	2004 €
15. Net income (prev. year: net loss)	2,763,579.50	-1,149,918.99
16. Loss carried forward from previous year	-33,987,557.78	-32,837,638.79
17. Net loss	-31,223,978.28	-33,987,557.78

At a glance, the changes in equity during business years 2005 and 2004 resulted as follows:

	Share capital €	Capital reserves €	Legal reserves €	Change revenue reserves €	Net loss €
As of Dec. 31, 2003	26,325,946.00	27,943,824.20	1,387.65	2,343,349.97	-32,837,638.79
Net loss 2004	0.00	0.00	0.00	0.00	-1,149,918.99
As of Dec. 31, 2004	26,325,946.00	27,943,824.20	1,387.65	2,343,349.97	-33,987,557.78
Net income 2005	0.00	0.00	0.00	0.00	2,763,579.50
As of Dec. 31, 2005	26,325,946.00	27,943,824.20	1,387.65	2,343,349.97	-31,223,978.28

A transfer to legal reserves is inapplicable, not only because there is no transferable net income in terms of § 150 Par. 2 of the Companies Act, but also because the legal reserve funds pursuant to § 150 Par. 2 of the Companies Act already total more than 10 % of the share capital, due to the high capital reserves according to § 272 Par. 2 No. 1 of the German commercial code.

GFT Technologies Aktiengesellschaft, St. Georgen

Notes (HGB)

as of 31 December 2005

Changes in fixed assets

	At costs				
	As of 01/01/2005	Additions	Disposals	As of 31/12/2005	
	€	€	€	€	
I. Intangible assets					
1. Licenses, industrial property rights and similar rights	3,172,208.01	146,882.78	75,409.03	3,243,681.76	
2. Goodwill	127,822.97	0.00	0.00	127,822.97	
	3,300,030.98	146,882.78	75,409.03	3,371,504.73	
II. Tangible fixed assets					
Other equipment, office and factory equipment	11,491,612.94	386,661.57	5,115,548.23	6,762,726.28	
III. Financial assets					
1. Shares in affiliated companies	33,607,581.11	0.00	0.00	33,607,581.11	
2. Investments	1,109,679.15	0.00	0.00	1,109,679.15	
	34,717,260.26	0.00	0.00	34,717,260.26	
	49,508,904.18	533,544.35	5,190,957.26	44,851,491.27	

Depreciation				Book values	
As of 01/01/2005	Depreciation of the financial year	Disposals	As of 31/12/2005	As of 31/12/2005	As of 31/12/2004
€	€	€	€	€	€
3,004,539.01	76,655.04	12,909.03	3,068,285.02	175,396.74	167,669.00
127,822.97	0.00	0.00	127,822.97	0.00	0.00
3,132,361.98	76,655.04	12,909.03	3,196,107.99	175,396.74	167,669.00
10,372,948.94	446,716.49	5,043,304.23	5,776,361.20	986,365.08	1,118,664.00
24,468,874.01	35,077.67	0.00	24,503,951.68	9,103,629.43	9,138,707.10
1,109,679.15	0.00	0.00	1,109,679.15	0.00	0.00
25,578,553.16	35,077.67	0.00	25,613,630.83	9,103,629.43	9,138,707.10
39,083,864.08	558,449.20	5,056,213.26	34,586,100.02	10,265,391.25	10,425,040.10

GFT Technologies Aktiengesellschaft, St. Georgen**Notes (HGB)**

as of 31 December 2005

Authorised capital

In accordance with the resolution passed by the Annual General Meeting of 29 May 2002, the Executive Board is authorised to increase the share capital against contributions in money or property, up until 26 May 2007, with the consent of the Supervisory Board, through the issuance of new shares against cash or property contributions, either once or repeatedly, up to a total of € 7,500,000.00, through the issuance of up to 7,500,000 new shares made out to the owners, with an entitlement to dividends starting at the beginning of the business year for such issuance (Authorised capital I/2002). With the consent of the Supervisory Board, the Executive Board is authorised to eliminate the purchase rights of shareholders in the case of capital increases against contributions in kind.

Further, in accordance with the resolution passed by the Annual General Meeting of 29 May 2002, the Executive Board is authorised to increase the share capital against contributions in cash, up until 26 May 2007, with the consent of the Supervisory Board, through the issuance of new shares against cash contributions, either once or repeatedly, up to a total of € 2,632,594.00, through the issuance of new shares made out to the owners, with an entitlement to dividends starting at the beginning of the business year for such issuance (Authorised capital II/2002). Under certain conditions, the Executive Board is authorised, with the consent of the Supervisory Board, to eliminate the purchase rights of shareholders.

Under-utilised, authorised capital in the amount of € 10,132,594.00 is in existence as of 31 December 2005.

Conditional capital

Conditional capital amounted to € 8,280,000.00 as of 31 December 2005 (prev. year: € 8,280,000.00)

Share capital is conditionally increased up to a nominal € 780,000.00, divided in up to 780,000 shares made out to the owners (Conditional capital I/1999). This conditional capital increase serves the granting of purchase rights to members of the Executive Board and Company employees, as well as to members of executive management and employees of affiliated companies, in accordance with the resolution of the Annual General Meeting of June 4, 1999.

The Annual General Meeting of 29 May 2002 decided on a conditional capital increase of up to € 7,500,000, through the issuance of up to 7,500,000 new shares made out to the owners, with an entitlement to dividends starting at the beginning of the business year for such issuance (Conditional capital II/2002). The conditional capital increase serves the granting of shares to the owners or claimants of option or convertible bonds that are issued by the Company or a subsidiary up to 26 May 2007, in accordance with the authorisation by the Annual General Meeting of 29 May 2002, as long as the issuance is carried out in cash. It will only be executed insofar as option or conversion rights stemming from the aforementioned bonds are used, or conversion obligations from such bonds are fulfilled.

Through resolution of the Annual General Meeting of 29 May 2002, the Executive Board was authorised to issue option or convertible bonds for a total face value of up to € 100m., with a term of up to 20 years, once or repeatedly, up until 26 May 2007, or to take over the guarantee for such bonds issued by Company subsidiaries, and to grant the owners or claimants of such bonds option or conversion rights to new Company shares, with a proportionate sum of share capital of up to € 7.5m., in accordance with closer requirements of the particular conditions for these option or conversion bonds.

Stock option programmes

The extraordinary Annual General Meeting of 4/24 June, 1999 determined the conditional increase of share capital through issuance of up to 260,000 shares (corresponds to 780,000 shares following the 1:3 share split of 16 May 2000, Conditional capital I/1999), for the exclusive granting of purchase rights within the framework of stock option programmes, as well as the main features of the stock option programmes to be launched by the Executive Board. The conditional capital increase is only to be executed insofar as the owners of the purchasing rights issued make use of their purchasing rights pursuant to § 192 Par. 2 No. 3 of the Companies Act. Beneficiaries are exclusively members of the Executive Board and employees of GFT Technologies AG as well as 100 % subsidiaries, whose purchasing rights have been granted.

The purchasing rights stemming from the stock option programs "1999/2004" and "2000/2005" established by the Executive Board, expired on 6 July 2004 and 1 July 2005, respectively, without having been exercised. No more purchasing rights exist since 1 July 2005, pursuant to § 192 Par. 2 No. 3 of the Companies Act.

Other Provisions

	€(k)
Other provisions of considerable scope	
Employee commissions / bonuses	1,528
Possible losses from rental agreements	1,328
Anniversary obligations	801
Severance payments, indemnifications	663
Outstanding purchase invoices	425
Holiday obligations	279
Preparation of accounts and audit	215
Annual general meeting / Annual report	165
Litigation expenses	162
	5,566
Remaining	498
	6,064

GFT Technologies Aktiengesellschaft, St. Georgen

Notes (HGB)

as of 31 December 2005

Liabilities

The data on liabilities result from the following table:

	Remaining term		Total amount	secured through liens and similar rights	Type and form of the securities
	up to 1 year €	more than 5 years €	31/12/2005 €		
Liabilities to banks	10,332.00 (prev. year: €(k) 6)	0.00 (prev. year: €(k) –)	23,250.00 (prev. year: €(k) 6)	23,250.00 (prev. year: €(k) –)	Collateral assignment motor vehicle
Advance payments on orders	1,909,914.60 (prev. year: €(k) 5,843)	0.00 (prev. year: €(k) –)	1,909,914.60 (prev. year: €(k) 5,843)		
Trade liabilities	8,961,773.58 (prev. year: €(k) 8,488)	0.00 (prev. year: €(k) –)	8,961,773.58 (prev. year: €(k) 8,488)		Customary ownership reservation
Liabilities to affiliates	1,054,236.85 (prev. year: €(k) 1,693)	0.00 (prev. year: €(k) –)	1,054,236.85 (prev. year: €(k) 1,693)		
Liabilities to companies with which an investment exists	27,119.65 (prev. year: €(k) 219)	0.00 (prev. year: €(k) –)	27,119.65 (prev. year: €(k) 219)		
Other liabilities	2,232,185.38 (prev. year: €(k) 2,380)	0.00 (prev. year: €(k) –)	2,232,185.38 (prev. year: €(k) 2,380)		
- from taxes	1,453,000.36 (prev. year: €(k) 1,713)				
- within the scope of social security	456,121.08 (prev. year: €(k) 383)				
	14,195,562.06 (prev. year: €(k) 18,629)	0.00 (prev. year: €(k) –)	14,208,480.06 (prev. year: €(k) 18,629)		

The liabilities to affiliates concern trade liabilities (€(k) 986 prev. year: €(k) 1,693) and other liabilities (€(k) 68; prev. year: €(k) 0). The liabilities to companies with which there is an investment are the result of deliveries and services (€(k) 27; prev. year: €(k) 219).

Derivative Financial Instruments

On 31 December 2005, an interest-related derivative financial instrument of the "swap" type, with a nominal volume of €(k) 1,000 and a current value of €(k) -40 to be attached, came into existence. The current value to be attached was determined using the mark-to-market valuation methods, using the end-of-day mid-market exchange rate. The derivative financial instrument was registered in the balance sheet item "Other provisions" with a book value of €(k) -40, as of 31 December 2005.

2. Income statement

Revenue

	2005 €(k)	2004 €(k)
Breakdown by fields of operation		
Consulting and development of software	38,962	26,935
Freelance agency	37,974	43,090
Maintenance proceeds	1,909	415
Sale of software products	5	9
Other revenue	68	1,242
	78,918	71,691
	2005 €(k)	2004 €(k)
Breakdown by regions		
Domestic	77,576	70,342
International	1,342	1,349
	78,918	71,691

Other operating income / Other operating expenses

Other operating income of €(k) 872 (prev. year: €(k) 2,607) includes income that is imputable to a different business year; it essentially pertains to the reversal of provisions (€(k) 687; prev. year: €(k) 1,827), bad debts recovered (€(k) 146; prev. year: €(k) 761), and income from the disposal of fixed assets (€(k) 16; prev. year: €(k) 19).

Effective 30 September 2005, the Company disposed of the "GFT Media" division and realised earnings of €(k) 723. This income can diminish by a maximum of €(k) 400, if the buyer does not achieve particular sales goals by 30 September 2006.

The other operating expenses contain sums totalling €(k) 29 (prev. year: €(k) 1) which belong to other periods.

Depreciations

The scheduled depreciation of goodwill over a period of 15 years is carried out according to § 7 Par. 1 p. 3 of the German Income Tax Act. The depreciation of financial assets and marketable securities contain unscheduled depreciations of financial assets in the amount of €(k) 35 (prev. year: €(k) 679), pursuant to § 253 Par. 2 p. 3 of the German Commercial Code.

Taxes on income

Taxes on income include tax proceeds for previous years in the amount of €(k) 222 (prev. year: tax expenditures of €(k) 57), tax expenditures for the current business year in the amount of €(k) 226 (prev. year: €(k) 5), and a deferred tax proceed of €(k) 20 (prev. year: €(k) 62).

III. Other Data

Contingencies

GFT AG issued a letter of indemnity against its subsidiary GFT UK Limited, London, pursuant to which it will grant GFT UK Limited continuing financial support.

GFT Technologies Aktiengesellschaft, St. Georgen**Notes (HGB)**

as of 31 December 2005

GFT AG is liable for undertaking the respectively necessary measures for the prevention of overextension or insolvency of its subsidiaries GFT Solutions GmbH in Hamburg, and GFT Technologies (Schweiz) AG, Wallisellen/Switzerland, during the entire year 2006.

The Company will have availability of bank custody accounts in the amount of €(k) 5,009 (prev. year: €(k) 3,454), only with the express consent of the corresponding banks.

GFT AG has assumed a guarantee against a bank (€(k) 28; prev. year: €(k) 28) in favour of an affiliate.

Other Financial Obligations

Obligations stemming from temporary rental, leasing and licence agreements exist, as far as they are not shown in the balance sheet, totalling €(k) 2,469 (prev. year: €(k) 3,326). In addition, obligations from open-ended rental agreements in the amount of €(k) 305 per year (prev. year: €(k) 338 per year) also exist.

Data pursuant to § 160, Par. 1, No. 8 of the Companies Act

On 14 February 2006, GFT AG was informed through the KST Beteiligungs Aktiengesellschaft in Stuttgart, of the existence of an equity interest, the content of which was made public as follows:

"The KST Beteiligungs Aktiengesellschaft, with headquarters in Stuttgart, has informed us through a communication dated February 14, 2006, pursuant to § 21 Par. 1 of the German Securities Trading Act (WpHG), that its voting right percentage in GFT Technologies AG exceeded the voting rights threshold of 5 % on 14 February 2006, and presently amounts to 7.06 %."

On 15 February 2006, GFT AG was informed through the Deutsche Bank AG, in Frankfurt am Main, of the existence of an equity interest, the content of which was made public as follows:

"The Deutsche Bank Aktiengesellschaft, with headquarters in Frankfurt/M, has informed us through a communication dated 15 February 2006, pursuant to § 21 Par. 1 of the German Securities Trading Act (WpHG), that its voting right percentage in GFT Technologies AG exceeded the voting rights thresholds of 10 % and 5 % on 14 February 2006, and presently amounts to 2.47 %." It was further communicated that this voting right percentage of 2.47 % is to be imputed to the Deutsche Bank Aktiengesellschaft pursuant to § 22 Par. 1 sentence 1 No. 1 of the German Securities Trading Act.

On 3 April 2002, GFT AG was informed through Mr. Ulrich Dietz and Mrs. Maria Dietz, of St. Georgen, of the existence of an equity interest, the content of which was made public as follows:

"Mr. Ulrich Dietz, domiciled in St. Georgen, informed us on 3 April 2002, pursuant to § 41, Par. 2, sentence 1 of the German Securities Trading Act, that 29.94 % of the voting rights in GFT Technologies AG are imputable to him as of 1 April 2002. Mrs. Maria Dietz, domiciled in St. Georgen, informed us on 3 April 2002, pursuant to § 41, Par. 2, sentence 1 of the German Securities Trading Act, that 9.67 % of the voting rights in GFT Technologies AG are imputable to her as of 1 April 2002.

On 27 January 2004, GFT AG was informed through the Deutsche Post AG in Bonn, of the existence of an equity interest, the content of which was made public as follows:

"The Deutsche Post AG, with headquarters in Bonn, informed us on 27 January 2004, pursuant to §§ 21 Par 1, 24 of the German Securities Trading Act, that the voting right percentage of the Deutsche Post World Net Business Consulting GmbH (previously: Deutsche Post eBusiness GmbH), with headquarters in Bonn, fell short of the threshold of 10 % on 28 August 2003, and amounted to 0 %.

Furthermore, the Deutsche Post AG informed us on 27 January 2004, pursuant to § 21 Par. 1 in connection with § 22, Par. 1, sentence 1 No. 1 of the German Securities Trading Act, that its voting right percentage in GFT Technologies AG continued to exceed the threshold of 10 % on 28 August 2003, and amounted to 11.8 %. The voting rights were to be imputed to the Deutsche Post AG until now, pursuant to § 22, Par. 1, sentence 1 No. 1 of the German Securities Trading Act.

In its communication dated 27 January 2004, pursuant to §§ 21 Par. 1 of the German Securities Trading Act (Correction of the communication dated 14 January 2004, announcement in the financial paper of 17 January 2004), the Deutsche Post AG

informed us that its voting right percentage in GFT Technologies AG fell short of the threshold of 10 % on 29 December 2003, and amounted to 4.2 %.

On 29 January 2004, GFT AG was informed through the Federal Agency for Mail and Telecommunications Deutsche Bundespost, in Bonn, of the existence of an equity interest, the content of which was made public as follows:

“The Federal Agency for Mail and Telecommunications Deutsche Bundespost, with headquarters in Bonn, informed us on 29 January 2004, pursuant to § 21 Par. 1, sentence 1, 22 Par. 1, sentence 1 No. 1 of the German Securities Trading Act, that the voting right percentage of the Federal Republic of Germany in GFT Technologies AG fell short of the threshold of 10 % on 29 December 2003, and amounted to 4.2 %. This voting right is to be imputed to the Federal Republic of Germany, pursuant to § 22, Par. 1, sentence 1 No. 1 of the German Securities Trading Act.”

Issuance of the Statement on the German Corporate Governance Code pursuant to § 161 of the Companies Act

On 12 December 2005, the Executive Board and the Supervisory Board issued the updated Declaration of Conformity pursuant to § 161 of the Companies Act, and made it available to all shareholders on the Company's website as of 15 December 2005.

Honorarium for the Balance Sheet Auditor

The honorarium expense determined for the balance sheet auditor for the business year 2005 amounted to:

	T€
The auditing of financial statements	141
Other ratification or valuation services	65
Tax accountancy services	–
Other services	4
	210

Board of Directors

(see page 128)

Total remuneration for the Executive Board for the 2005 fiscal year amounted to €(k) 1,196 (prev. year: €(k) 1,094).

Total remuneration for the Supervisory Board for the 2005 fiscal year amounted to €(k) 56 (prev. year: €(k) 56).

Employees

During the fiscal year 2005, an average of 236 workers (previous year: 191) were employed; the employees of the merged GFT Financial Solutions GmbH in Eschborn were included in the previous year starting in October 2004 (effectiveness of the merger).

Consolidated Financial Statement

As the parent company, GFT AG prepares a consolidated financial statement for the GFT Group, pursuant to § 315a of the German commercial code.

St. Georgen, 1 March 2006
The Board of Directors


Ulrich Dietz
Executive Board (Chairman)


Marika Lulay
Executive Board


Dr. Jochen Ruetz
Executive Board

Board of Directors

Executive Board	Supervisory Board mandates	Further mandates in other comparable control committees
Mr. Ulrich Dietz Chief Strategy and Marketing Officer, CEO Mrs. Marika Lulay Chief Production and Sales Officer Dr. Jochen Ruetz Chief Finance and Accounting Officer and Personnel Director	GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain (Deputy Chairman) Sparkasse Schwarzwald-Baar (Member of the Board of Administration) GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain GFT Technologies (Schweiz) AG, Wallisellen (Member of the Board of Administration) GFT UK Limited, London (Member of the Board) GFT Technologies (India) Private Limited, Trichy, India (Member of the Board) G. Elsinghorst Handelsgesellschaft mbH, Bocholt GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain (since 28 April 2005)	Deutsche Bank AG, Stuttgart (Member of the Advisory Council)
Supervisory Board	Membership of further Supervisory Boards	
Mr. Franz Niedermaier former Managing Director of Oracle Deutschland GmbH, Chairman of the Supervisory Board Prof. Dr. Gerhard Barth former member of Executive Board Dresdner Bank AG Dr. Thorsten Demel Chief Operating Officer Global Technology Deutsche Bank AG (from 9 June 2004) Dr. Markus Kerber former member of the GFT Technologies AG Executive Board, St. Georgen (until 31 December 2005, Deputy Chairman of the Supervisory Board) Dr. Simon Kischkel Project Director GFT Technologies AG, St. Georgen (employee) Dr. Peter Opitz lawyer, (since 27 January 2006) Mrs. Ingrid Schmidt Project Manager GFT Technologies AG, St. Georgen (employee)	SECARON AG, Munich Intrafind Software AG, Munich, Chairman (since 21 December 2005) DB Payments Projektgesellschaft für Zahlungssysteme mbH, Frankfurt (until 30 June 2005) GZS Gesellschaft für Zahlungssysteme mbH, Bad Vilbel (since 16 June 2005) Pago eTransaction GmbH, Cologne sinus GmbH, Düsseldorf (until 6 February 2006) The Eureka Interactive Fund Limited, George Town, Cayman Islands (until 30 April 2005) Computershare Limited, Melbourne, Australia	

GFT Technologies Aktiengesellschaft, St. Georgen**Auditor's report**

We have audited the annual financial statement – comprising the balance sheet, profit and loss account and appendix – including the bookkeeping system, the summarised management report and Group management report for GFT Technologies Aktiengesellschaft, St. Georgen, for the financial year starting 1 January 2005 and ending 31 December 2005. The bookkeeping system as well as the summarised management report and Group management report according to the German Commercial Code are the responsibility of the company's legal representatives. It is our responsibility to express an opinion, based on our audit, of the annual financial statement including the bookkeeping system, and of the summarised management report and Group management report.

We conducted our audit of the annual financial statements in accordance with Article 317 HGB (German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and earnings situation in the annual financial statements in accordance with German principles of proper accounting and in the summarised management report and Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping system, the annual financial statements and the summarised management report and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles applied and significant estimates made by the legal representatives as well as evaluating the overall presentation of the annual financial statements, the summarised management report and 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 annual financial statements provide a true and fair view of the company's net asset, financial position and earnings situation which is in keeping with the legal prescriptions and complies with the principles of proper accounting. The summarised management report and Group management report agree with the annual financial statements and as a whole provide a suitable view of the company's position and accurately present the opportunities and risks of future development.

Stuttgart, 6 March 2006
Grant Thornton GmbH
Wirtschaftsprüfungsgesellschaft

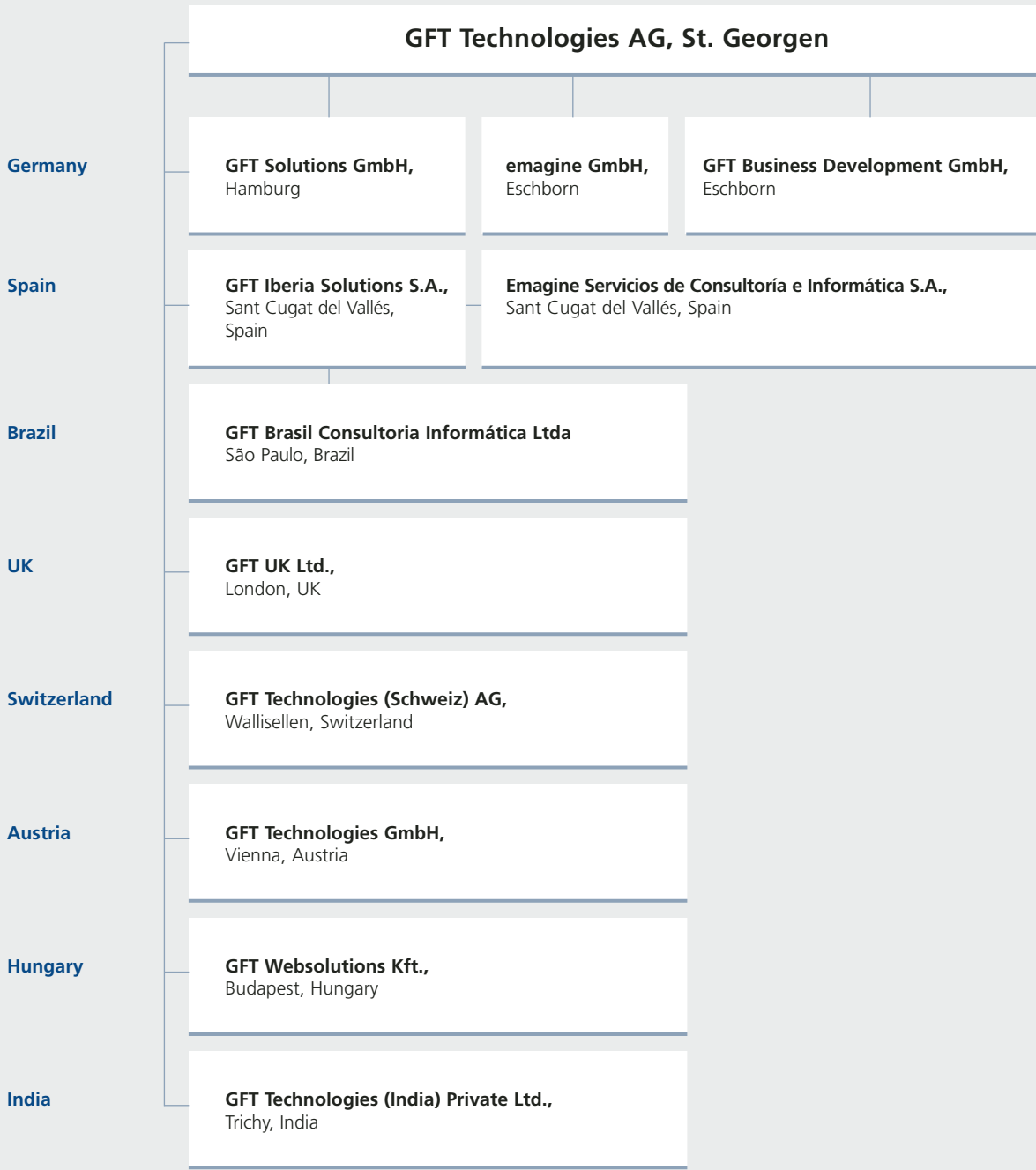


Müller
Auditor



Hämmerle
Auditor

The GFT Group



Dates for 2006 / Imprint

Dates for 2006

Annual results press conference	29 March 2006
1st Quarter Report	12 May 2006
Annual General Meeting	23 May 2006
2nd Quarter Report	10 August 2006
3rd Quartar Report	9 November 2006

Further Information

Write to us or call us if you have any questions. Our Investor Relations team will be happy to answer them for you. Or visit our website at www.gft.com/ir. There you can find further information on our company and the GFT share.

GFT Technologies AG

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The Annual Report is also available in German. The online version of the Annual Reports in German and English are available in the web under www.gft.de/ir.

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Imprint

Concept and text:	GFT Technologies AG, St. Georgen
Photo concept and design:	wolf media lounge, Berlin, www.wolfmedialounge.de
Consulting and realisation:	IR-one AG & Co. KG, Hamburg, www.ir-1.com
Photography:	Rüdiger Nehmzow, Berlin, www.nehmzow.de

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