



Annual Report |

2006



## REALTECH worldwide



| USA       |      |      |      |
|-----------|------|------|------|
|           | 2006 | 2005 | 2004 |
| Employees | 14   | 9    | 9    |
| Revenues  | 3,4  | 2,5  | 2,2  |

REALTECH AG operates on an international scale, helping companies to optimize and securely operate their IT infrastructures.

The company's consulting segment consists of REALTECH consultancy with regard to SAP technology, projects in complex SAP NetWeaver environments, and end-to-end consulting services covering everything from business processes to technology. This approach enables customers to make specific use of SAP NetWeaver and ESOA.

In the software segment, REALTECH develops and markets five products designed to proactively monitor business processes, to allow the early recognition of errors in networks, systems and applications (e.g. SAP), to ensure that individual modifications in the SAP software are imported in accordance with audit requirements, and to provide tools to generate, standardize and monitor the interfaces between SAP and other systems.



# REALTECH AG

USA

REALTECH Inc., USA

REALTECH AG in each case 100% (except w

### Rest of Europe



|           | 2006 | 2005 | 2004 |
|-----------|------|------|------|
| Employees | 282  | 264  | 279  |
| Revenues  | 22,3 | 21,0 | 20,7 |

### Germany

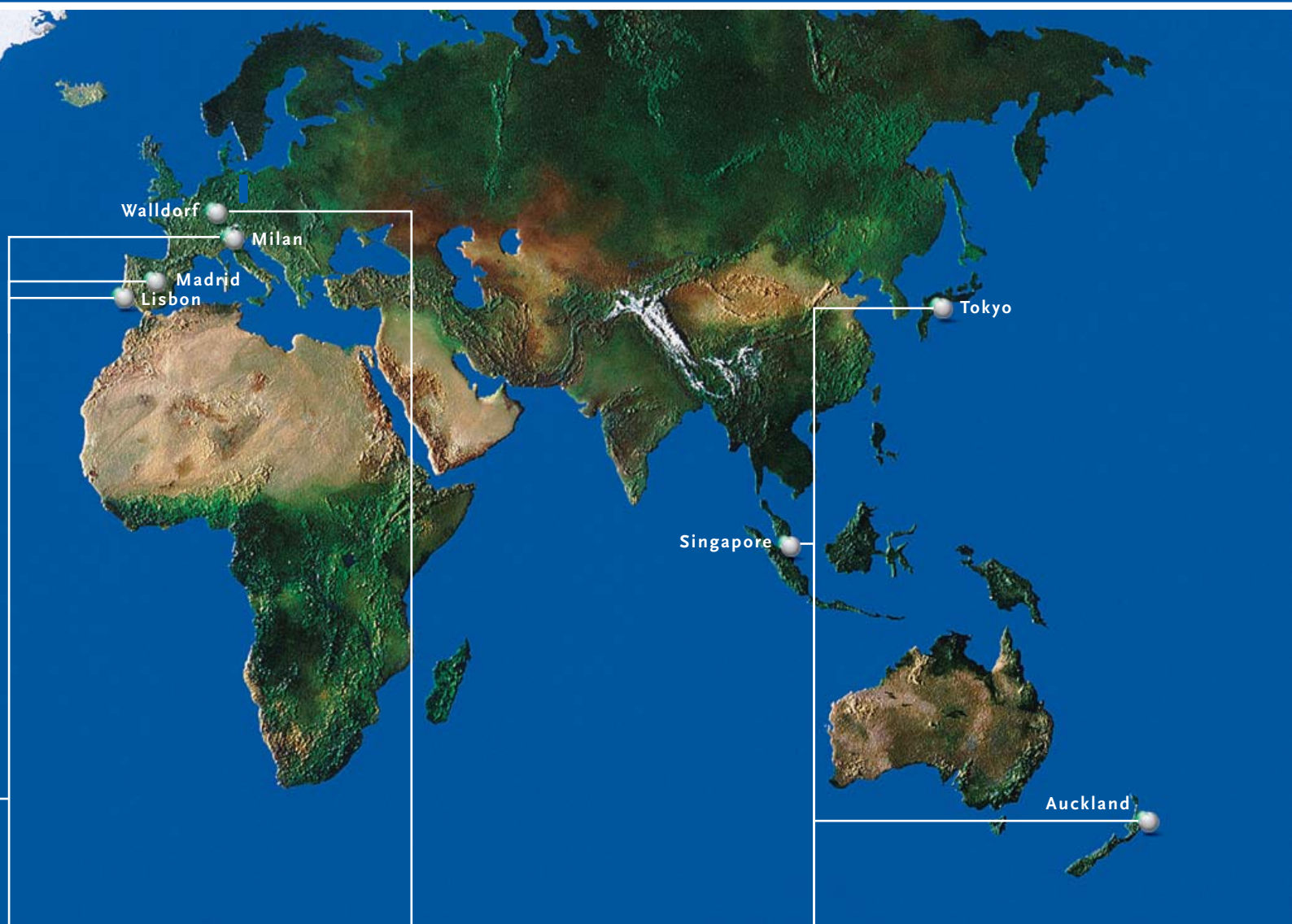


|           | 2006 | 2005 | 2004 |
|-----------|------|------|------|
| Employees | 229  | 219  | 218  |
| Revenues  | 23,1 | 21,7 | 21,2 |

### Asia Pacific



|           | 2006 | 2005 | 2004 |
|-----------|------|------|------|
| Employees | 46   | 43   | 31   |
| Revenues  | 5,6  | 4,9  | 3,0  |



### Rest of Europe

- REALTECH Italia S.p.A., Italy
- REALTECH System Consulting S.L., Spain
- REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Portugal

### Germany

- REALTECH System Consulting GmbH
- REALTECH Sales GmbH
- DB-Online GmbH
- LMC-LAN Management Consulting GmbH
- GloBE Technology GmbH

### Asia Pacific

- REALTECH Ltd., New Zealand
- REALTECH System Consulting Pte. Ltd., Singapore
- REALTECH Japan Co., Ltd., Japan (54,1%)

(where noted)

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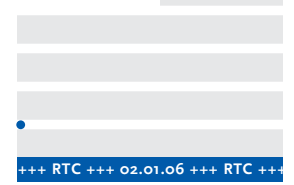
## Three Year Summary

|   | 2006<br>TEUR | Δ %  | 2005<br>TEUR | Δ %   | 2004<br>TEUR |
|---|--------------|------|--------------|-------|--------------|
| <b>Revenues and income</b>  |              |      |              |       |              |
| Revenues  | 54.380       | 9    | 50.047       | 6     | 47.075       |
| Revenues consulting   | 42.948       | 8    | 39.773       | 7     | 37.284       |
| Revenues software   | 11.432       | 11   | 10.274       | 5     | 9.791        |
| Revenues Germany  | 23.079       | 7    | 21.653       | 2     | 21.226       |
| Revenues foreign countries  | 31.301       | 10   | 28.394       | 10    | 25.849       |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 5.094        | 63   | 3.120        | 78    | 1.753        |
| Earnings before interest and taxes (EBIT)                               | 3.731        | 121  | 1.688        | 670   | (296)        |
| Earnings before taxes (EBT)   | 4.199        | 75   | 2.398        | 1.294 | 172          |
| Net income  | 1.902        | 71   | 1.110        | 163   | (1.760)      |
| Earnings per share (in EUR)   | 0,37         | 68   | 0,22         | 163   | (0,35)       |
| <b>Investments and depreciation</b>                                     |              |      |              |       |              |
| Investments in intangible and tangible assets                           | 635          | (44) | 1.137        | 27    | 896          |
| Depreciation  | 1.363        | (5)  | 1.432        | (30)  | 2.049        |
| <b>Assets, shareholders' equity and liabilities (end of year)</b>       |              |      |              |       |              |
| Total assets  | 60.937       | 6    | 57.310       | 3     | 55.512       |
| Fixed assets  | 14.141       | (5)  | 14.871       | (6)   | 15.904       |
| Current assets  | 46.279       | 11   | 41.560       | 8     | 38.468       |
| Net cash and cash equivalents   | 27.997       | 8    | 25.948       | 21    | 21.357       |
| Shareholders' equity  | 45.896       | 5    | 43.724       | 3     | 42.442       |
| Equity ratio (in %)   | 75,3         | (1)  | 76,3         | 0     | 76,5         |
| Noncurrent liabilities  | 0            | 0    | 0            | 0     | 0            |
| Current liabilities   | 14.224       | 10   | 12.950       | 3     | 12.520       |
| <b>Key figures</b>  |              |      |              |       |              |
| Gross margin (in %)   | 40,5         |      | 38,1         |       | 38,3         |
| EBITDA margin (in %)  | 9,4          |      | 6,2          |       | 3,7          |
| EBIT margin (in %)  | 6,9          |      | 3,4          |       | (0,6)        |
| Cash flow from operating activities                                     | 2.413        |      | 4.818        |       | 2.109        |
| Cash flow from investing activities                                     | 814          |      | 1.941        |       | (944)        |
| Cash flow from financing activities                                     | 270          |      | 172          |       | (3.657)      |
| <b>Employees (end of year)</b>  | 571          | 7    | 535          | 0     | 537          |

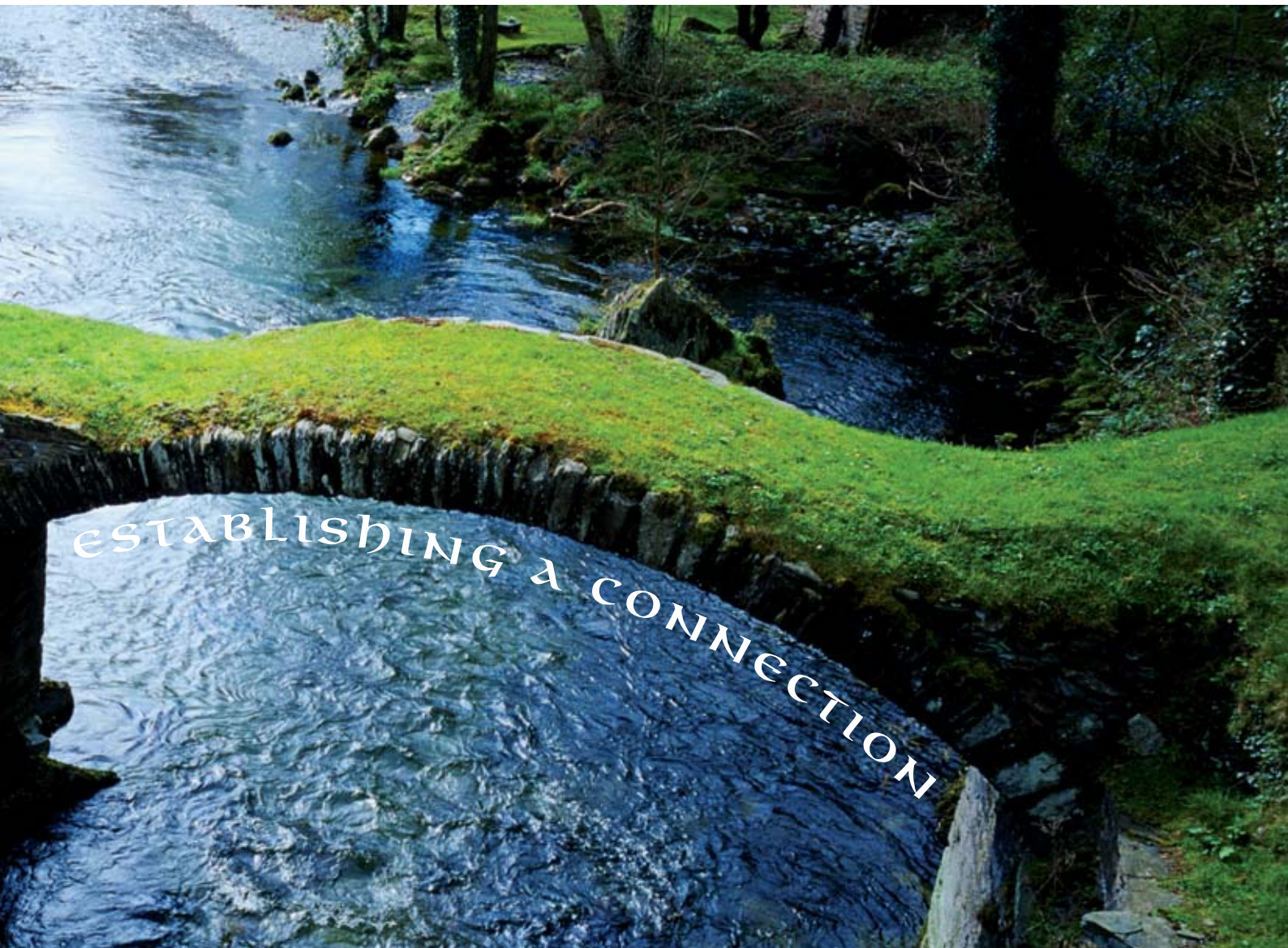
## Report of the Executive Board



7,00 €



Pont Millyn Bridge,  
Gwynedd district, Wales.



IN THE RIVER OF LIFE, WE ANCOUNTER ONE  
ANOTHER ON THE BRIDGE OF TOGETHERNESS.

**Ernst Ferstl,**  
austrian poet and aphorist

## Report of the Executive Board



**Jürgen Zahn**  
Chief Financial Officer

**Nicola Glowinski**  
Chief Executive Officer

**Dr. Rudolf Caspary**  
Chief Technology Officer

### Dear shareholders and business partners,

The task we set ourselves in previous year was to lay the tracks in the right direction in order to take up new opportunities and challenges for the company. Through consistently good work, we have been able to transform the emerging opportunities into success for both REALTECH and its employees. We have been rewarded in that year 2006 has been one of the most successful in the company's history. We are extremely happy with the results, as we have reached our goals and even exceeded many expectations.

REALTECH AG is heading towards a very promising future. Our goal remains to achieve sustainable and profitable growth. We are continuing to consistently direct the company towards profitable business areas and market

regions. Thanks to clear structures and strategies, the consulting and software business areas now make equal contributions towards the company's success. Group revenue increased in fiscal year 2006 by 9 percent to EUR 54.380 thousand, with the consulting division increasing its revenue by 8 percent to EUR 42.948 thousand and revenue in the software division rising by 11 percent to EUR 11.432 thousand.

### Increase in profitability

At the same time, we have succeeded in the last few years in taking appropriate measures to limit cost increases, without losing sight of or failing to make crucial investments. This is reflected in a pleasing increase in profitability, as we more than doubled our EBIT figure



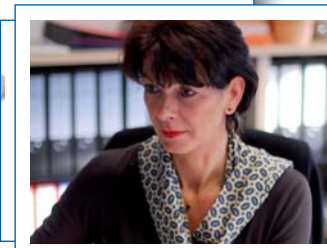
in fiscal year 2006 from EUR 1.688 thousand to EUR 3.731 thousand, while our EBIT margin increased from 3 percent to 7 percent. One of the main reasons for this excellent development was the great improvement we saw in the earnings situation in the software segment, which was in the black for the first time since being established.

Net income rose from EUR 1.110 thousand to EUR 1.902 thousand, giving rise to earnings per share of EUR 0.37 compared to EUR 0.22 in 2005. The only disappointment was that

20 percent increase in revenue in 2006. Business has also developed positively in the Asia-Pacific region, with REALTECH New Zealand being restored to profitability and a new office being opened in the Japanese city of Osaka in order to achieve further stable growth in the region.

**Development into strategic partner for IT projects**

The two most important pillars of this success are our clear corporate strategy and our com-



cash flow was halved to EUR 2.413 thousand. However, net cash and cash equivalents were up 8 percent to EUR 27.997 thousand. Shareholders will also reap the benefits of this success, as at the General Meeting, the Executive and Supervisory Boards will propose the distribution of a dividend of EUR 0.50 per share for fiscal year 2006 from REALTECH AG's net profit. This is the most compelling evidence of our sound business development in a difficult market environment.

**Expand on national and international level**

One aspect that is especially pleasing is that we expanded our business in fiscal year 2006 on both a national and an international level. Each of the four REALTECH regions increased its revenue and profit. We now record 58 percent of our revenues outside of our original core market of Germany. Particular attention should be drawn to the Spanish market, where we are the market leader in SAP technology consulting, and where REALTECH achieved a

petent employees. We have recognized trends early on, and purposefully invested in corresponding consulting skills in order to tap fast-growing future markets. Starting out as a technology specialist, we have developed into a strategic partner for IT projects at companies in all sectors of industry. The extensive consulting services and solutions that we offer are designed to address our customers' urgent IT requirements. Our unique selling proposition in the highly competitive consulting market is our in-depth knowledge of SAP, which is greatly appreciated by many SAP users. Customers and partners praise the high level of qualification of our employees, the reliability of the information they provide and their rigorous way of working.

REALTECH ensures that companies can reap the full economic benefits of their hardware and software with minimum investment and operating costs. REALTECH software

automates time-consuming processes and tasks in the computer center, enabling IT departments to reliably provide high-quality services, despite tight budgets. In fiscal year 2006, we restructured our software product area, dividing it into three specialized business units. This puts us in a position to meet the increasing demands of our customers much more efficiently than before. The highly positive business figures recorded by the software division in the year under review impressively demonstrate that this reorganization was the right move at the right time.

With the SAP NetWeaver integration platform and the Enterprise Service-Oriented Architecture (ESOA), our most important partner, SAP AG, is enabling users to take a crucial step towards the future. This SOA approach is paving the way for SAP customers to implement sound economic strategies with regard to their existing systems. Large corporations and medium-sized companies alike are more and more frequently launching projects that revolve around this SOA platform, making them greatly reliant on external expertise such as that offered by REALTECH's consultants.



#### System changeover in IT

In our core business field of consulting, we have over the years established the exceptional position in the optimization and consolidation consulting market that we now enjoy. At the same time, we have been concentrating on a new market that promises unforeseen rapid growth. After all, IT is currently embarking upon a fundamental system changeover to the concept of service-oriented architecture (SOA). This entails turning away from rigid structures and towards a new manner of setting up and operating system environments that gives top priority to flexibility and openness. This system architecture enables companies to design their business processes more flexibly. Analysts and market experts agree that companies will have to invest in this area in the next few years if they want to remain competitive.

#### REALTECH, the SAP special expertise partner

At an early stage, we aligned our organization with SAP NetWeaver, invested in education and further training for our employees, and got them in shape for the age of ESOA. REALTECH has intensively followed the development of SAP NetWeaver right from the start, becoming highly familiar with this subject area. As a result, we have been available to provide our customers with numerous consulting services relating to SAP NetWeaver since 2005. With regard to NetWeaver projects, SAP intends to primarily concentrate on collaboration with its Premium partners, who are characterized by their particular expertise and practical experience. As an SAP Special Expertise Partner, REALTECH is a member of this exclusive group.

SAP ESOA projects are making it necessary for consultants to obtain entirely new qualifications, and the fundamental change in information technology is changing the way consultants define themselves. In the future, they

will undergo an even greater change, developing from engineers into all-round consultants who understand operational processes, have sound business knowledge and are able to think strategically.

#### Technical expertise and strategy consulting from a single source

We have taken up this trend in the consulting business and added a third focus, the integration of business processes, to supplement our initial focuses of IT optimization and IT

Group revenue in 2007, while increasing EBIT by between 10 and 15 percent. In the consulting business, our aim is to increase revenue at a faster rate than the market as a whole. In the software segment, we aspire to achieve a revenue growth rate of between 12 and 15 percent, while maintaining stable costs. In addition, we anticipate that our EBIT margin, which was positive for the first time in 2006, will see further improvement in this division. Our main focuses in fiscal year 2007 will be on our core markets of Germany, Italy, Spain and the US.



consolidation. This also covers consulting services for new Web technologies that make existing applications future-complaint. We have therefore transformed REALTECH into a consulting partner that offers technical expertise and strategy consulting for SAP NetWeaver from a single source, and that has thereby gained access to particularly lucrative and high-margin segments of the international IT market. Positive comments by analysts, partners and customers, not to mention the success of fiscal year 2006, have confirmed that this was the right strategy to choose.

We intend to follow on from this success in fiscal year 2007, as we still have some way to go before reaching maturity. We are continuing to work on improving our operational margin. To this end, we have set ourselves ambitious goals, which thanks to our sturdy market position are nevertheless perfectly feasible, and we are continuing to expand our business on a national and international scale. We aspire to achieve a high one-digit growth rate in

The year 2006 has shown that REALTECH has adopted an excellent strategy. Our efforts have really paid off. We are embarking upon a new fiscal year with new strength, and would like to take this opportunity to thank all those who have played a role here: our employees, our partners, our customers, the Supervisory Board and our shareholders. The trust that we receive from all sides is a sturdy foundation for achieving success together. We will continue to play an active role in enhancing information technology, and in shaping the future.

Warm regards,  
Your Executive Board

## Calendar of Events 2006

### January

#### Wüstenrot & Württembergische AG benefits from REALTECH

With REALTECH's help, W&W Informatik GmbH, the internal IT service provider within the Wüstenrot & Württembergische AG financial group, has successfully optimized its central SAP systems. In addition, the homogenous system environment is partly to thank for the fact that system operation costs are now much lower than before.

### February

#### REALTECH makes companies SOX-compliant

The auditing and consulting company Ernst

a positive income from operations (EBIT). The last time the company had managed to do this was in the period from January to March 2000. What's more, the Software division made a positive contribution to profits for the first time since being established.

### May

#### Dividends distributed for the first time

At the General Meeting, REALTECH AG's Executive and Supervisory Boards proposed distributing a dividend of 0.10 euros per share for fiscal year 2005 from the company's net profit.

January

Wüstenrot & Württembergische  
W&W INFORMATIK GMBH

May



June

ENSO

February

ERNST & YOUNG

March

emotion

& Young confirms that REALTECH Transport-Manager software enables customers to comply completely with the Sarbanes-Oxley Act (SOX) with regard to data and process transparency and availability. Ernst & Young also relies on REALTECH's TransportManager itself.

### March

#### SAP NetWeaver training further expanded

A new challenge has emerged on the SAP consulting market, as SAP NetWeaver and the SAP Enterprise Service Architecture (ESA) have created a need for new consulting methods. Rather than the traditional form of SAP consulting, which was organized module-specifically, what is now needed is an end-to-end view of business processes. In view of this, REALTECH modified the qualification program for its SAP consultants in Germany early on.

### April

#### Network monitoring software expanded

The restructuring measures initiated in 2004 have obviously begun to take effect, as REALTECH AG closed the first quarter of 2006 with

#### New consulting model

REALTECH AG has developed a new consulting procedure that helps companies to optimize selected parts of existing business processes using the SAP NetWeaver platform. This procedure, called the business case integration method, combines processes, applications and technologies to form a solution that brings companies real economic benefits.

### June

#### ENSO migrates entire SAP system environment

ENSO, a utility based in Dresden, has successfully changed over its SAP environment to a Linux platform with the aid of REALTECH AG. As a result of using this open-source operating system, the company now benefits from reduced operating costs. One of the main reasons why the customer chose the Walldorf-based SAP technology consultant for this job was the wealth of experience that REALTECH has gained from 300 projects of this type worldwide, making it a clear migration specialist in the SAP environment.

**July**

**August Storck KG chooses REALTECH**  
 Chocolate manufacturer August Storck KG now uses theGuard! System Management Suite for the central monitoring of its applications and IT infrastructure. REALTECH AG successfully won this order despite competition from some renowned competitors.

**Deutsche Börse has its SAP applications under control**

The Deutsche Börse Group has the availability of around 25 central SAP applications monitored by theGuard! ApplicationManager. REALTECH AG asserted itself in the selection

**September**

**REALTECH safeguards SAP processes in the insurance industry**

Gesellschaft für angewandte Versicherungs-Informatik (GaVI) relies on theGuard! Application Manager as its new system management solution for SAP programs. Thanks to the new SAP monitoring solution, GaVI has been able to reduce maintenance outlay and SAP operating costs.

**October**

**Product range extended**

REALTECH AG has extended its product range, adding an innovative all-round package for

July



August



August



July



DEUTSCHE BÖRSE SYSTEMS

November



process against competition from major manufacturers of well-known system management solutions. The decisive factor in this decision was the good overall offer of a high-quality product, service expertise and specialist SAP skills.

monitoring SAP NetWeaver infrastructures. This new software solution facilitates the work of IT administrators by permitting extensive monitoring of SAP NetWeaver via a central user interface that can be operated intuitively.

**August**

**Three SAP certifications**

REALTECH AG was delighted to receive three further certifications from SAP AG, with the software corporation recommending REALTECH as an SAP Special Expertise Partner for the following applications: Duet, SAP Enterprise Portal and SAP Exchange Infrastructure.

**November**

**REALTECH takes part in German Equity Forum**

REALTECH AG actively participated in the German Equity Forum with talks of its own for the first time, presenting itself to institutional investors. The German Equity Forum is the most important event relating to equity financing in Europe.

**BSH entrusts monitoring to REALTECH**

BSH Bosch und Siemens Hausgeräte GmbH has opted for the theGuard! Application Manager for monitoring its SAP systems. In the context of a bid invitation, this solution was chosen out of those from a total of 12 suppliers.

**December**

**REALTECH supports SAP on Sun Solaris**

theGuard! ApplicationManager has become one of the first products ever to support the monitoring of SAP applications on Sun Solaris computers. This rapid response is a good example of the innovative and quick-thinking way in which REALTECH operates on the market.

## Shares



7,71 €



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Akashi-Kaikyo Bridge crossing the Akashi Strait, Kobe, Japan; Currently the longest suspension bridge in the world, with a span of nearly 2 kilometers.



Offering good Prospects

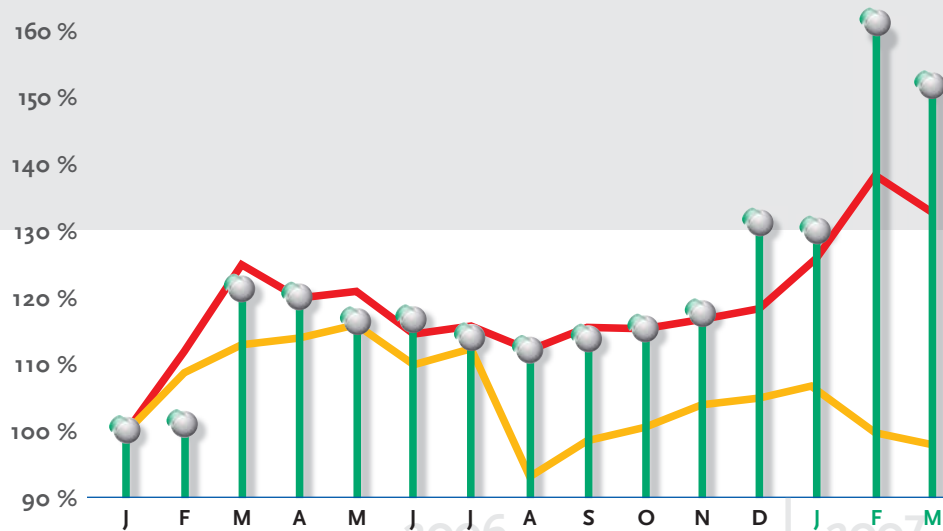
Everyone praises the bridge that got them across.

From the USA

## Shares

### Share price index

- REALTECH share
- Prime Software
- TecDax



### The stock market in 2006

#### Dax increases for the fourth year running

The German stock market has had a variable, but successful year. Only twelve months previously, it was considered very bold to believe that the German share index (Dax) had a potential of 6,000 points. The price barometer for standard German shares ended 2006 with a closing value of 6,596.92 points, which was 22 percent up on the previous year's value. This means that the Dax has increased twice as fast as the Stoxx 50. Whereas fears of inflation had still been depressing the mood on the stock market at the beginning of the year, such fears took a back seat in the second half of the year. Since the beginning of July 2006, there has been an upwards trend, boosted by the expected increase in company growth. What's more, the US reported sound economic data. The positive overall mood was also influenced by a substantial decrease in the oil price, as well as huge price drops for several raw materials, especially copper.

One thing that is remarkable is the development of German second-line shares. Whereas the MDax was considered to be overpriced compared to the Dax a year ago, it nevertheless increased 29 percent, reaching an all-time high on the last trading day of 2006. The technology shares in the TecDax, increasing 25 percent, also did better than the major Dax shares. Moreover, the economic upturn also had a positive effect on international stock markets. For example, the Nikkei Index 2006 in Japan gained nearly seven percent, while the Dow Jones index achieved an increase of almost 17 percent.

#### Upturn for the global economy

According to economists and analysts, the world is in the second phase of a long-lasting economic boom and business cycle. When it comes to the year 2007, experts anticipate that profit growth will slow down slightly, and that stock markets will be characterized by a high degree of volatility. Investment bank strategists believe company takeovers to be a key





price driver. There is much indicating that we are up for the fifth year of a bull market.

The forecast for 2007 on the German stock market is also cautiously optimistic. For example, experts at major banks on average predict a Dax level of around 7,000 points, which would correspond to an increase of six percent. In contrast, the prospects for second-line German shares are not quite as good. Such shares are more likely to undergo consolidation, as they are substantially more expensive than the Dax shares. This is particularly true of the

The share price recorded its lowest value of 2006, EUR 6.91, right at the beginning of the year. After that the price rose constantly, reaching its highest value in the first quarter of 2006, EUR 8.65, on February 24. March was characterized by fluctuation on a fairly constant level, with the REALTECH share price beginning the second quarter at a value of EUR 8.06. It reached its highest value of the three-month period, EUR 8.25, right in the first week. From May onwards, the price fell constantly, reaching its lowest value of the second quarter, EUR 7.20, on June 14. After



MDax and the SDax, whereas analysts still believe that the TecDax has a certain potential to catch up.

#### Share performance and market capitalization

In fiscal year 2006, the REALTECH AG share price once again developed more positively than comparative indices, increasing from EUR 6.89 on December 31, 2005 to EUR 8.95 at the end of the year under review. This 30 percent increase is identical to that of the previous year, and is clearly higher than the growth rate achieved by the TecDax. Based on a comparison of key dates, REALTECH AG's market capitalization increased from EUR 35 million to EUR 46 million on December 31, 2006, corresponding to 101 percent of book equity. This proportion had amounted to 80 percent at the end of 2005.

that, the share was able to gain some ground, closing the quarter at a rate of EUR 7.60. This made the share price 32 percent higher than at the end of the same quarter the previous year (EUR 5.74).

The third quarter was marked by small price changes, as the share value predominantly fluctuated in the range of a maximum of EUR 0.41 over the three-month period. REALTECH's shares began the final quarter at a price of EUR 7.65, and proceeded to stay around the same level, with a slight upwards tendency. The share price was boosted by the publication of the provisional nine-month figures for 2006 on October 27 – starting with a leap to EUR 8.05, the price reached the annual high of 2006, EUR 9.94, on November 16. The last time the share price reached this level was in 2001. Over the following weeks, the price declined, with slight fluctuations, to a value of EUR 8.95 at the end of the year.

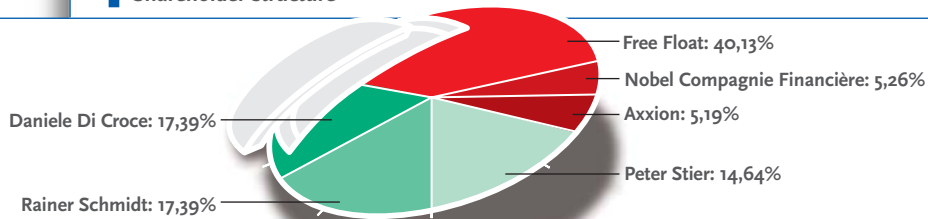
**Shareholder structure and trading volume**

In the year under review, there were no changes in REALTECH AG's shareholder structure compared to fiscal year 2005 with regard to compulsory disclosures. The main shareholders remained the same as in the previous year, and the free float on December 31, 2006 amounted to 40.13 percent.

The company's trading volume decreased compared to the previous year, with the average number of the Group's shares being

As planned at the beginning of the year, REALTECH AG used 2006 to expand its investor relations activities and hold more talks with investors and potential customers. In addition, REALTECH has presented itself at various share forums in Switzerland and Germany, including at the German Equity Forum, the largest investor fair in Europe. REALTECH is consistently pursuing its intensive capital market communication, whereby an emphasis is to be placed in 2007 on investor relations work in German-speaking countries and in Great Britain.

**Shareholder structure**



bought and sold each day down 18 percent from 12,957 shares in 2005 to 10,617 shares in 2006. As in previous years, the majority of REALTECH shares – 61 percent compared to 64 percent in 2005 – was traded using the Xetra platform.

**General Meeting**

REALTECH AG's seventh regular General Meeting, held in Wiesloch in May 2006, was attended by around 150 shareholders and other guests, representing nearly 50 percent of the company's share capital. Decisions regarding the various points on the agenda were all reached with a large majority. Amongst other things, this was the case for the presentation of the annual accounts, the report of the Supervisory Board, the approved consolidated financial statements and consolidated management report, the first-time profit distribution and giving discharge to the Executive and Supervisory Boards.

The best example of the company's efforts to optimize communication with both current and future shareholders is the active membership of REALTECH AG in the Deutscher Investor Relations Kreis (DIRK). This professional organization has for years been setting the standards in Germany for exemplary communication between listed companies and the capital market.

The REALTECH share has performed very impressively over the past two years. Increasing by 30 percent in each case, the price outperformed the comparative indices. In addition, REALTECH AG has strengthened its leading market position and further increased its profitability through internal cost savings. As a result, the company has laid sound foundations for further growth, making REALTECH shares a sound investment for private and institutional investors alike.

8,65 €

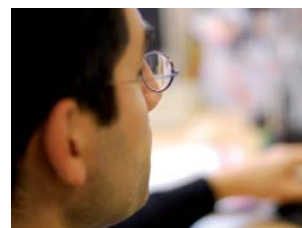
Shares



+++ RTC +++ 24.02.06 +++ RTC +++

**Key figures**

|                                   | 2006      | 2005      |
|-----------------------------------|-----------|-----------|
|                                   | EUR       | EUR       |
| Earnings per share                | 0,37      | 0,22      |
| Cash flow per share               | 0,47      | 0,95      |
| Shareholders' equity per share    | 8,87      | 8,59      |
| Highest share price               | 9,94      | 7,48      |
| Lowest share price                | 6,89      | 5,38      |
| Share price at year end           | 8,95      | 6,89      |
| Market capitalization at year end | 46 Mio.   | 35 Mio.   |
| Number of shares at year end      | 5.173.452 | 5.092.452 |

**Basics**

|                |                |
|----------------|----------------|
| Market segment | Prime Standard |
| Date of issue  | 26. April 1999 |
| ISIN           | 700 890        |
| Exchange ID    | RTC            |
| Issue price    | 54,00 EUR      |

**Shares and stock options of the issuer and members of executive bodies as of December 31, 2006****Issuer**

REALTECH AG - treasury stock

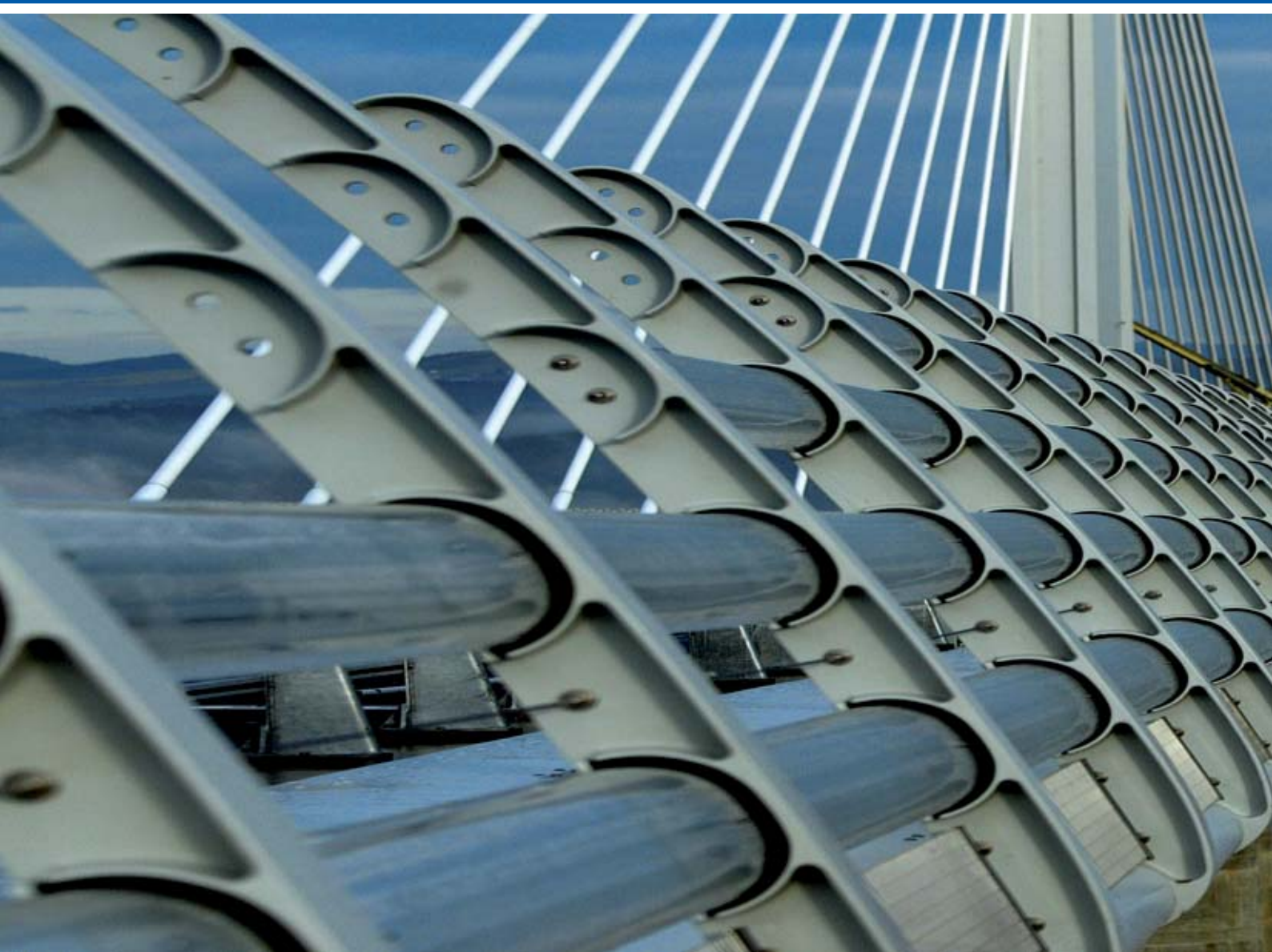
**Executive Board**

|                    |   |
|--------------------|---|
| Dr. Rudolf Caspary | 61.000 stock options,<br>15.000 shares  |
| Nicola Glowinski   | 103.000 stock options,<br>22.000 shares |
| Jürgen Zahn        | 70.000 stock options                    |

**Supervisory Board**

|                   |          |
|-------------------|----------|
| Dieter Matheis    | - shares |
| Richard Roy       | - shares |
| Norbert Schwerber | - shares |

## Corporate Governance



7,95 €



+++ RTC +++ 06.03.06 +++ RTC ++

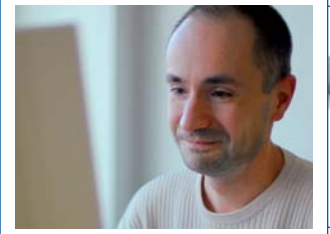
Viaduc de Millau spanning the valley of the River Tarn, Massif Central, France; at 342 meters; this bridge is currently the highest bridge in the world and prevents regular kilometer-long traffic jams.



BUILDING A BRIDGE MEANS CREATING A  
STURDY STRUCTURE IN THE MIDDLE OF NOTHING.

Unknown

## Corporate Governance



### German Corporate Governance Code

The term “corporate governance” stands for responsible company management and control aimed at creating value in the long term. Essential aspects of effective corporate governance include efficient cooperation between the Executive and Supervisory Boards, consideration of shareholder interests, and open and transparent corporate communication.

The aim of the German Corporate Governance Code, initially published in 2002 and repeatedly updated since then, is to increase people's trust in the management of German companies. The Code is a code of best practice and not a law. It acquires legal standing in the form of a declaration of voluntary commitment. It is based on the law currently applicable in Germany. In the descriptions of individual points, the focus is on easy comprehensibility. At the same time, the Code makes no claim to portray the applicable laws comprehensively or to include all relevant aspects.

Due to this, the Code should be treated as a supplement to the existing rules.

For those involved in capital markets, the Code is a yardstick defined by business and industry representatives on the Corporate Governance Commission as a standard for good, responsible corporate management.

### In practice

Not just the company alone is responsible for implementing the Code. Co-determination by shareholders is also necessary, and they are involved in fundamental decisions of REAL-TECH AG at the General Meeting. This includes the election of the Supervisory Board, the task of which is to advise the Executive Board on the management of the company and to monitor its activities.

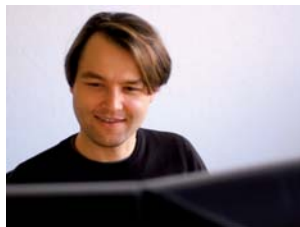
In the context of the company's financial statements, the Supervisory Board reports to shareholders. This body is free to organize committees to focus on specific issues. Based on a



resolution passed by the General Meeting on May 24, 2005, the Supervisory Board was reduced from six to three members. No further committees were formed after this because the Supervisory Board has the minimum number of three members stipulated by the German Stock Corporation Act.

Since fiscal year 2005, the REALTECH Group has based its accounting on the International Financial Reporting Standards (IFRS). The accounts were previously based on the United States Generally Accepted Accounting Princi-

ples (US GAAP). As for its annual financial statements, REALTECH AG follows the rules of the German Commercial Code (HGB).  
concerning the company. When distributing information, REALTECH applies the principle of equality, informing everyone of any news at the same time – be they financial analysts, institutional investors, or shareholders. Thus, publication dates for the company's annual report and quarterly reports, as well as details on the General Meeting can be found under Investor Relations at [www.realtech.com](http://www.realtech.com), and are available to everyone. Whenever there is any news that could have a substantial effect on the REALTECH share price, this is published in an ad-hoc report.



les (US GAAP). As for its annual financial statements, REALTECH AG follows the rules of the German Commercial Code (HGB).

An independent auditing company verifies both financial statements. The auditor is selected at the General Meeting in accordance with the German Stock Corporation Act. The Supervisory Board issues the audit assignment, defines the points on which the audit is to focus, and determines the audit fee.

More detailed information concerning essential accounting standards can be found in the Management Report and the Consolidated Financial Statements in this annual report.

#### Transparency

In view of the fact that clear communication is a key factor in complying with the Code, REALTECH provides shareholders, financial analysts, the financial press, shareholder associations, and any interested members of the public with regular reports on the latest events

#### Risk management

The risk management system is part of the company's overall planning, control, and reporting process. It defines principles, guidelines, processes, and responsibilities, with a view to identifying risks at an early stage. Risk management revolves around reliable information on the company's financial situation, for internal and external use. Only in this way can we ensure that the company management recognizes potential risks at an early stage and is able to implement appropriate countermeasures.

To this end, the Chairman of the Supervisory Board maintains regular contact and exchange with the Executive Board in order to discuss not only strategy and business development, but also questions relating to risk management.

The REALTECH Group has a risk management system that accommodates the company's global orientation. Details of this are provided in the "Risk report" section of the Management Report.

**Compulsory disclosure of directors' dealings**

Following the enactment of the Fourth Financial Markets Promotion Act (Finanzmarktförderungsgesetz) on July 1, 2002, supplemented by the German Investor Protection Improvement Act (Anlegerschutzverbesserungsgesetz)

had transactions that required reporting as shown in the table below.

**Compliance declaration for the German Corporate Governance Code**

The German Corporate Governance Code includes rules with various degrees of obligation. In addition to describing the valid stock corporation law, it also contains recommendations that companies are not compelled to follow. However, they are then obligated to disclose this each year. This is defined by

**Notifiable transactions of members of the Executive Board and the Supervisory Board**

| Name               | Position        | Date/Place of transaction | Type of transaction               | ISIN         |
|--------------------|-----------------|---------------------------|-----------------------------------|--------------|
| Dr. Rudolf Caspary | Executive Board | 16.11.2006/off-market     | Share purchase through conversion | DE0007008906 |
| Dr. Rudolf Caspary | Executive Board | 15.11.2006/Xetra          | Sale of new shares                | DE0007008906 |
| Nicola Glowinski   | Executive Board | 14.11.2006/off-market     | Share purchase through conversion | DE0007008906 |
| Nicola Glowinski   | Executive Board | 14.11.2006/off-market     | Share purchase through conversion | DE0007008906 |
| Dr. Rudolf Caspary | Executive Board | 14.11.2006/off-market     | Share purchase through conversion | DE0007008906 |

dated October 30, 2004, individuals who perform management tasks within the company have been obligated, in accordance with Section 15a of the German Securities Trading Law (Wertpapierhandelsgesetz, WpHG), to report their own dealings in REALTECH AG shares to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) within five working days. In addition, appropriate securities transactions by others, particularly spouses, registered civil partners, and children entitled to maintenance, must also be disclosed.

Section 6.6, Paragraph 2 of the German Corporate Governance Code requires the shares held by members of the Executive and Supervisory Boards to be listed in the notes of the company's consolidated financial statements. Members of the Executive and Supervisory Boards are obligated to disclose their shareholding if it is directly or indirectly greater than one percent of the shares issued by the company. On the editorial deadline of February 2007 for this annual report, REALTECH AG

Section 161 of the German Stock Corporation Act, which compels the Executive and Supervisory Boards of a corporation listed on the stock market to declare each year where they have deviated from the recommendations. Moreover, the Code contains conditions that companies can refrain from following without having to disclose this.

As in previous years, REALTECH does not intend to create a corporate governance code of its own, as there are no industry-specific or company-related requirements that make this necessary. The Executive and Supervisory Boards submitted the first compliance declaration on November 14, 2002, the second on September 10, 2003, the third on November 25, 2004, and the fourth on November 25, 2005, based on the recommendations of the Government Commission on the German Corporate Governance Code, in accordance with Section 161 of the German Stock Corporation Act. REALTECH published its fifth most recent compliance declaration on November 30, 2006, worded as follows:





+++ RTC +++ 23.03.06 +++ RTC +++

“REALTECH AG complies with the recommendations of the Government Commission on the German Corporate Governance Code (dated June 12, 2006), with the following exceptions:

No suitable deductible has been agreed to date for the D&O (directors and officers liability) insurance agreed for the Executive and Supervisory Boards (Section 3.8, Paragraph 2 of the Code).

Reason: No deductible has yet been agreed for the existing D&O insurance for the Execu-

tion for the Supervisory Board's task, as an overall body, to monitor the Executive Board's management.”

#### Insider trading rules

Trading in REALTECH shares is subject to the rules of the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). One important task carried out by the BaFin is to supervise securities transactions, with the aim of ensuring that the German markets for securities and

| Price (in EUR) | Number | Total volume | Explanation  |
|----------------|--------|--------------|--|
| 7,00           | 9.000  | 63.000       | Subscription to convertible bonds as part of the CB-Program 2002 |
| 9,67           | 4.000  | 38.680       | Sale of shares as part of the CB-Program 2002                    |
| 5,12           | 10.000 | 51.200       | Subscription to convertible bonds as part of the CB-Program 2002 |
| 7,00           | 12.000 | 84.000       | Subscription to convertible bonds as part of the CB-Program 2004 |
| 5,12           | 10.000 | 51.200       | Subscription to convertible bonds as part of the CB-Program 2002 |

tive and Supervisory Boards. We believe that agreeing upon a deductible would not improve the motivation and sense of responsibility with which the members of the Executive and Supervisory Boards of REALTECH AG perform the tasks and functions assigned to them. In addition, the primary aim of this insurance is to cover the company's essential own risks, not to provide financial protection for board members. Moreover, it is a group insurance policy that also extends to leading REALTECH employees. We do not consider it appropriate to distinguish between board members and company employees.

Up to now, remuneration of members of the Supervisory Board has not been disclosed individually in the Corporate Governance Report (Section 5.4.7 of the Code).

Reason: Specifying the individual remuneration of each member of the Supervisory Board does not provide a suitable foundation for judging the appropriateness of the remunera-

derivatives function in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz). This forbids the use of insider knowledge or unauthorized dissemination of insider information, as doing so would undermine the trust of market participants in securities trade with equal chances for everyone.

REALTECH employees are subject to the prohibition on insider trading. An appropriate memorandum is included in every employment contract worldwide.

In addition, in accordance with Section 15b of the German Securities Trading Act, REALTECH AG keeps lists of individuals who work for the company and who have access to insider information in accordance with the regulations. REALTECH promptly updates these lists and submits them to BaFin upon request. The individuals named in the lists have been notified by REALTECH AG of the legal obligations resulting from access to insider information, as well as of the legal consequences of infringement.



Report of the Supervisory Board



8,30 €



+++ RTC +++ 31.03.06 +++ RTC +++

Suspension bridge in Arunachal Pradesh, Eastern Himalya, India; constructed to form a secure connection between two villages of the Adi tribe.

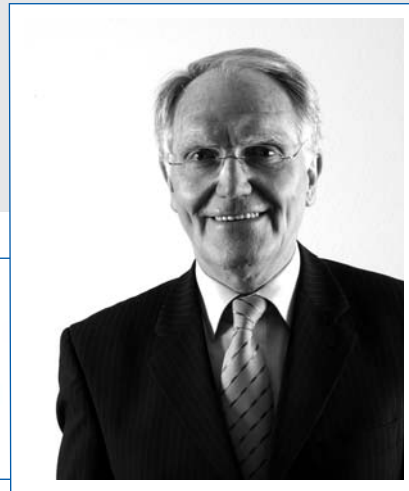


*Wise words are the most splendid bridge to success.*

**German saying**

## Report of the Supervisory Board

**Dieter Matheis**  
Chairman



### Dear shareholders,

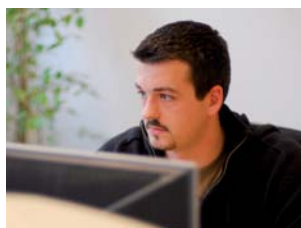
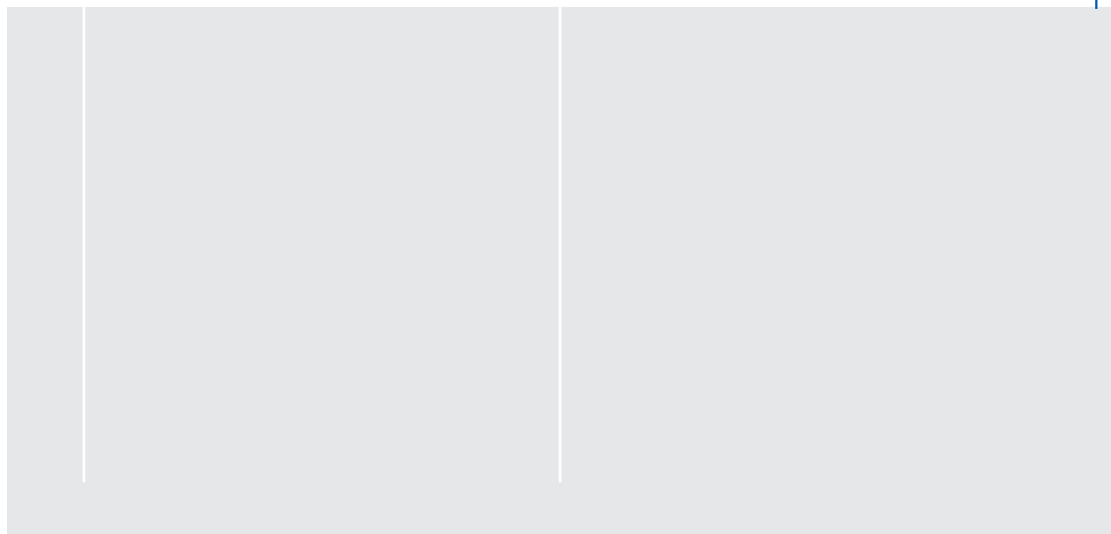
Collaboration between the Supervisory Board and the Executive Board is characterized by intense and regular communication. Both bodies of the company extended this dialog over the past fiscal year, thus not only establishing excellent collaboration but also acting in accordance with the German Corporate Governance Code.

In line with its statutory functions and the Articles of Association, the Supervisory Board regularly advised the Executive Board during the year under review, and monitored the company's management. The Supervisory Board was directly involved in all decisions of substantial significance for REALTECH. The Executive Board provided regular, prompt and extensive written reports to the Supervisory Board concerning company strategy and corporate planning, the course of business, the

situation of the Group including the risk situation, and risk management. The Executive Board consulted the Supervisory Board with regard to the company's strategic orientation. Moreover, the Supervisory Board discussed all business transactions of significance for the company that were presented to it in the reports of the Executive board.

The Chairman of the Supervisory Board also regularly inquired outside the Board's meetings about the current development of the business situation and major transactions.

In the year under review, the Supervisory Board performed an efficiency check, establishing that, thanks to the Executive Board's prompt and direct communication policy and due to established decision-making processes, the Supervisory Board performs its assigned tasks in an appropriate and efficient manner.



### Meetings and committees

The Supervisory and Executive Boards met on five occasions in the fiscal year 2006 to discuss the business situation of the Group, the strategic further development of the Group and its fields of business, as well as a range of other individual topics.

Based on the information supplied by the Executive Board, the Supervisory Board analyzed the company's current and future company development. In as far as the law or Articles of Association required decisions from the Supervisory Board concerning individual business transactions and measures of the Executive Board, we discussed these issues and reached the necessary decisions during Supervisory Board meetings.

Since fiscal year 2006, in contrast to previous years, the Supervisory Board has had neither a specific accounting audit committee nor a personnel committee. Due to the fact that the

number of Supervisory Board members had been reduced in fiscal year 2005 from six to three, it was no longer possible to form appropriate committees. At the same time, this complied with the recommendations in the German Corporate Governance Code, which states in Paragraph 5.3.1 that the Supervisory board should form appropriately qualified committees in line with its number of members. As a result, all members of the Supervisory Board have a say on all issues to be resolved.

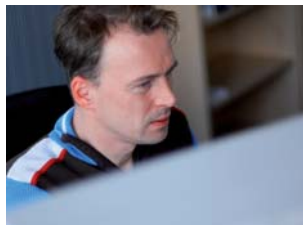
The Supervisory Board meetings held in fiscal year 2006 concentrated in particular on the continuation of the corporate strategy established in the company's two business fields of consulting and software, and on the Group's regional orientation. In terms of consulting, REALTECH focused on clearly defined areas of technology consulting, as well as on technology-driven tasks relating to SAP NetWeaver. In the software business area, an emphasis

was placed on measures intended to further improve profitability. Other issues discussed included human resources, succession planning, and corporate governance.

In particular, at the meeting at the end of January 2006, the Supervisory Board considered aspects such as the provisional figures for the fourth quarter of 2005 and fiscal year 2005, budget planning for 2006, the company's basic strategy in the segments of consulting and software, and the Group's future orientation. Furthermore, decisions were made re-

At the November meeting, the figures for the third quarter of 2006 were reviewed. Furthermore, the outlook for fiscal year 2007 was discussed, as were plans to update the rules of procedure of the Supervisory and Executive Boards.

The points on which the audit was to focus were determined by the Supervisory Board in collaboration with the auditor. Other points on the agenda included approval of the fifth declaration of compliance with the German



garding transactions requiring approval, such as the bonus agreement for the Executive Board, and also regarding employee-financed pension commitments.

The meeting in March focused on the reports submitted by the auditors, the approval and adoption of the consolidated financial statements for 2005 and annual financial statements for 2005, the outlook for the first quarter of 2006, and the approval of the agenda for the shareholder meeting in 2006.

The results of the first quarter of 2006 and the report on the situation of the company's various subsidiaries formed the main objects of discussion at the meeting in May.

The deliberations in August concentrated on prospects in the software sector and various transactions that require approval, including the Convertible Bond Program in 2006. In addition, the figures for the second quarter of fiscal year 2006 were analyzed.

Corporate Governance Code and verification of the efficiency of the Supervisory Board.

#### Members of the Executive and Supervisory Boards

There were no staff changes on REALTECH AG's Executive and Supervisory Boards in 2006.

#### Annual and consolidated financial statements

REALTECH AG's annual financial statements for 2006 and the management report, including accounting, were audited and issued with an unqualified audit opinion by the external auditing company Grant Thornton GmbH, Heidelberg, which was appointed in the General Meeting on May 16, 2006 and engaged as auditor by the Supervisory Board.

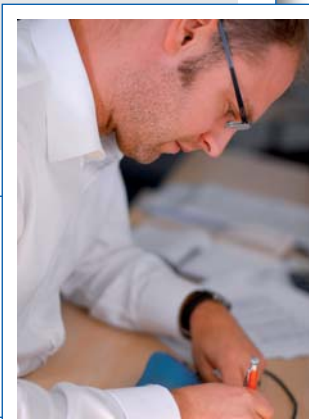
The same applies for the IFRS/IAS consolidated financial statements, to which a group management report has been added. These



consolidated financial statements have been prepared in accordance with IFRS rules.

According to Section 292a of the German Commercial Code (Handelsgesetzbuch, HGB), these statements exempt the company from the obligation to present consolidated financial statements in line with German law.

All annual accounting documents, the Executive Board's proposal for the appropriation of net profits, and the auditors' reports were presented to the Supervisory Board in good time.



They were intensively viewed and examined, and discussed in the presence of the auditors. The Supervisory Board has approved the result of the audit by the auditors and, in the context of an audit of its own, established that no objections need to be raised.

At the Supervisory Board meeting on March 05, 2007, the Supervisory Board approved the consolidated financial statements for 2006, the combined management report for 2006, and REALTECH AG's annual financial statements for 2006, and agreed to the Executive Board's proposal for the appropriation of net profits.

The Supervisory Board wishes to take this opportunity to thank all members of the Executive Board, as well as all of the company's employees, for the successful part they have played and the high degree of personal commitment shown in achieving an ongoing increase in the value of REALTECH AG and all associated companies.

Walldorf, March 2007  
The Supervisory Board  
Dieter Matheis  
Chairman

## | Bridging the Present and the Future





7,84 €



+++ RTC +++ 28.04.06 +++ RTC +++

Fatih-Sultan-Mehmet-Bridge  
over the Bosphorus, Istanbul,  
Turkey; a direct connection between  
the East and West.

# Overcoming barriers

Wishes are the most formidable bridge builders  
and the bravest crossers.

Elfriede Hablé,  
austrian aphorist and musician

## Bridging the Present and the Future



### THE MARKET

#### Expanding global economy

The upturn is still going strong. In 2007, the growth rate for the world economy is expected to be higher than the long-term average for the fifth time running. The International Monetary Fund (IMF) in particular is confident that the global economy in 2007 is set to achieve a new balance with high growth rates. According to experts' predictions, the worldwide economic growth rate is likely to be around 4.3 percent, only half a percentage point below the average for 2003 to 2006. For the US, however, economists anticipate a growth rate below the long-term potential. Here, experts are fluctuating between the hope of a soft landing in 2007 and fear of a recession. The economic growth rate in the US has gradually decreased from 5.6 percent to the latest figure of 2.0 percent.

#### Above-average development in the euro zone

IMF analysts anticipate that other regions will be able to make up for the disappointing figures in the US. The euro zone economy, for example, has just seen a year of above-average growth rates, with gross domestic product in 2006 increasing by 2.4 percent. As for 2007, economists predict an increase of just over two percent. The main reason for this positive forecast is apparently the current strength of the German economy, the largest in the euro region.

In five to ten years, it is perceivable that the long-term growth rate in the US will have fallen to 2.5 percent, while that in the euro zone may have increased to 2.5 percent. In the 1990s, productivity in the US was greatly powered by progress in information technology.

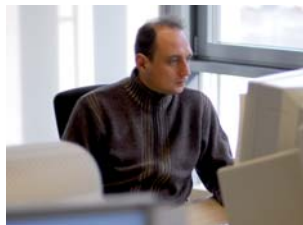


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In contrast, the present development corresponds much more closely to a normal progression. According to experts, the euro zone economy can most certainly catch up if the structural reforms on the job market and in corporate tax are continued, and in particular if the service sector is further supported.

In Japan, following a long depression, a growth rate of 2.9 percent was recorded in 2006. Economists expect that this increase will fall to two percent due to a low level of domestic demand. Conversely, they predict growth rates

has finally also reached the job market. In 2007, the German economy is set to remain agile, with most economists considering the positive trend to be so strong that restraining effects such as tax increases and the capping of tax benefits can be overcome. The majority of growth rate forecasts for 2007 are just below two percent, following 2.5 percent for 2006.



of ten and eight percent respectively for the Chinese and Indian economies. Neither of these two countries are yet in a position to take on a leading role in the world economy. The proportion of worldwide goods and services accounted for by the BRIC countries (Brazil, Russia, India and China) currently only amounts to ten percent. In comparison, the US accounts for 28 percent, Japan ten percent and Germany six percent.

**Dynamic economy in Germany**

The economy in 2006 developed much more dynamically in Germany than in the rest of the euro zone. As a result of wage restraints and restructuring measures, companies in Germany have become much more competitive and profitable. This creates an incentive to invest, both for industries that focus on foreign trade and for those more oriented towards domestic trade. Moreover, the upturn

**THE INDUSTRY**

**Four percent increase expected for the EMEA region**

Following on from a good year in 2006 for information technology, leading analysts are not quite so optimistic about 2007, fearing that users will be less willing to increase their investment in IT than they were last year. According to their forecasts, IT managers in the EMEA region (Europe, Middle East and Africa) will make investments worth EUR 328 billion, which is around four percent more than in 2006. In comparison, IT spending increased by around five percent there from 2005 to 2006. IT managers are likely to be more restrained than last year in the US, too. Overall, experts expect an investment volume in the United States of EUR 408 billion, five percent up on the figure in 2006. From 2005 to 2006, IT suppliers recorded an increase of six percent.

Worldwide, market observers expect IT spending to amount to EUR 1.2 trillion. After two years of growth rates around eight percent, the increase in investment has slowed down two percentage points to six percent, a figure that experts describe as being “moderate”. At the same time, they anticipate drastic change on the global IT market. On the lookout for further growth, information technology suppliers are set to start paying more attention to new markets in South America and Asia. In addition, small and mid-sized companies are likely to be addressed more frequently as po-

shown that having uniform systems worldwide greatly improves efficiency, which in turn makes it easier to standardize business processes.

The aim of many IT managers is to increase the efficiency of the supporting EDP processes. In contrast, reducing costs is no longer such a high priority as it was last year. Following several years of cost minimization, information technology is now permitted to cost money again, as long as it provides companies with the advantages they expect. Many companies



tential IT buyers. Despite the fact that the most recent prognoses of experts predict a sluggish year on the IT market in 2007, suppliers have no cause for complaint. Even if budgets fail to increase as rapidly as they have in the recent past, the industry is continuing to grow.

#### Standard business software still in demand

Enterprise Resource Planning (ERP) remains unaffected by all trends and is just as important to IT managers as in the previous year. This issue remains right at the top of the list of priorities as, for many an international company, the harmonization and consolidation of ERP systems is a permanent need – something that is understandable if you consider persistent globalization, and the large number of company mergers and acquisitions. Developments over the past two years have clearly

have obviously realized that saving on its own does not lead to an optimum cost-benefit ratio in the long term. Furthermore, the economy has recovered slightly, with the result that companies now have leeway for investments again.

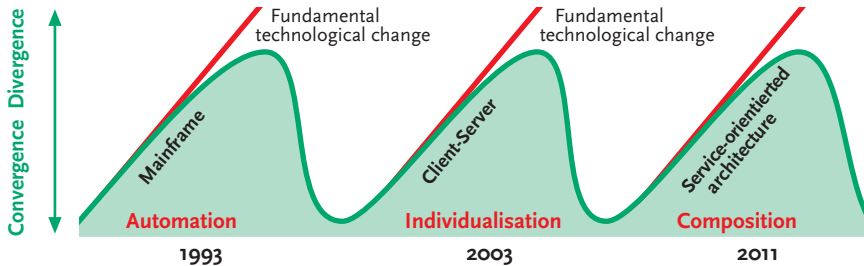
#### Improved performance for business processes

If the performance of ERP services is to be improved, the most important thing is to cover business processes in the best possible way, and to provide users with optimum support. In view of this, the role of IT is also changing, with the result that it now needs to support corporate goals and consider processes as a whole, rather than simply specifically meeting individual user department requirements. In contrast, system security is not such



a worry for IT managers this year, and the same can be said of flexible access to ERP applications. Following the security hype experienced in recent years, security standards appear to have risen. What's more, many companies have already implemented mobile applications for management, marketing, sales, service, logistics and field sales, meaning that demand in these areas is currently lower. The spotlight is now on goals pursued in connection with consolidation and harmonization projects, which in many cases improve support for business processes.

As it currently stands, SAP has the best chance of opening up the advantages of the SOA concept to end users. SAP is the only company able to offer a comprehensive range of business and industry applications. If these applications can be flexibly combined with the aid of a service-oriented architecture, and thus quickly adapted to constantly changing business processes, SAP will gain a unique selling proposition and will be able to offer additional customer benefits.



It is becoming increasingly important to be flexible and to adjust rapidly to changing business processes, something that is no longer possible in the old SAP environment. However, a substantial improvement can be achieved here through service-oriented architectures (SOAs). At the same time, there is very tough global competition in this area. Companies aspiring to play in the IT industry "Champions League" need to be able to measure up to the big players. As a result, all SAP competitors are also placing their bets on the SOA concept, and each has their own reasons for this. Oracle wants to integrate the many different applications it has acquired, IBM wants to be able to offer business applications from the Partner Community that it does not currently have, and Microsoft wants to take a piece of the business application cake by offering applications of its own on the .net platform.

Some IT decision-makers already use a service-oriented architecture (SOA) today, or at least plan to revise their systems in this direction. This means that the companies for which a service-oriented architecture can bring significant competitive advantages are quickly adapting their systems. Others are continuing to work on consolidation and harmonization projects, and are planning to implement service-oriented architectures at some stage in the future. In any case, managers are aware of the issue. As a result of its complexity, they consider the development of a service-oriented architecture as a step to be incorporated into long-term planning, and implemented in conjunction with other projects.

**THE EMPLOYEES**

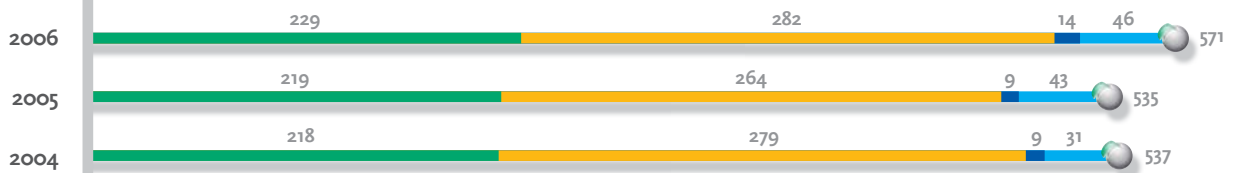
**Feeling at home, being important and progressing**

For IT service providers such as REALTECH AG, the number one priority has to be their employees. After all, services are provided by people. The more customer-oriented and service-oriented employees are, especially in the company's core business field of consulting, the more successful the company is. It is through their expertise that they safeguard

ensuring that their knowledge is always up to date. In addition, ties are established here that cover extensive customer requirements. This puts all consultants in a position to subsequently respond to customer requests. In the ideal case, this gives rise to new order opportunities, as consultants are trained to look beyond their own technological horizon.

This all makes it a lot easier for new colleagues to learn the ropes in a different working environment, something that can otherwise be rather difficult. One positive consequence of

**Employees by regions (end of year)**



Germany Rest of Europe USA Asia Pacific

the market position of REALTECH as a consulting specialist for SAP system environments, and establish important competitive advantages. The great status that REALTECH employees enjoy is clearly reflected in the internal motto "Feeling at home, being important and progressing".

**Feeling at home**

The main aspects that employees at REALTECH appreciate are the great team spirit, short processing and decision-making methods, challenging work, and friendly colleagues. Regular meetings for the various teams strengthen group ties, while establishing a supportive relationship with superiors. What's more, an active network exists among consultants, with the result that colleagues support one another and perceive the company as a whole, over and above their individual project assignments.

Employees familiarize themselves with new topics in internal specialist groups, therefore

this is that employees discover their qualities sooner than they would normally, thus benefiting all parties involved. "When I joined REALTECH, I really appreciated the fact that my new colleagues gave me such a warm welcome. I didn't experience such a great team spirit at any of the companies I had worked for before. Working here is really fun," confirms an SAP NetWeaver Consultant at REALTECH.

**Being important**

At REALTECH, employees know that they are needed right from the start. Superiors regularly maintain personal contact with their team members, even when they are working on assignments on customer premises. In addition, teams are not oversized, and everyone is given the freedom to input their own ideas. This means that all employees make a key contribution towards the company's success. Mentors from the top consultant level take new colleagues under their wing, helping them to find their feet both in the company and in



their new jobs. This speeds up the process of integrating new employees.

One essential criterion that job applicants at REALTECH have to meet is a strong personality. They are also expected to have excellent communication and perception skills, so that they can present themselves accordingly during professional customer contact. The company counts on people who know what they want, who act autonomously, who have ideas of their own, and who communicate these ideas and put them into practice.

Based on a three-path career model, REALTECH offers all employees the chance to position themselves in line with their talents and strengths, and to systematically further develop their skills. On top of this, the company has a program for potential new managers, a high potential program for consultants and regular basic consulting training for new employees. As an internationally oriented company, REALTECH additionally enables its consultants to spend time working abroad.

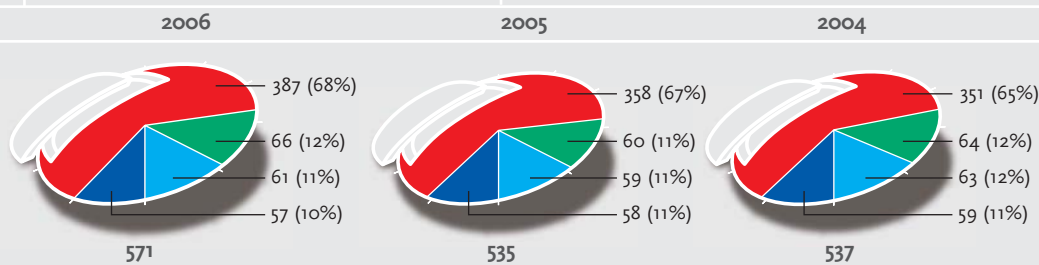


**Progressing**

Successful companies don't just place demands on employees, they also help them to meet these demands. REALTECH attaches great importance to the specialist expertise and personal skills of employees. After all, the company aspires to advise customers with outstanding know-how, to cater to their individual needs, and to come up with innovative ideas. In this way, REALTECH sets itself apart and secures the company an important competitive edge.

Individual, medium-term career plans are drawn up for each employee. These plans are supported by qualification programs for technical and personal further development. One of the main tasks of these further training programs is to get employees to focus on new issues. This is because, as a result of technical progress, specialized knowledge built up in past years quickly loses value if it is not regularly updated.

The best example of the fact that REALTECH always keeps up to date with technological development is the SAP NetWeaver platform, which has been constantly gaining in importance since its launch in 2002. Products such



**Employees by sectors**  
(end of year)  
Consulting  
Development  
Sales  
General and administration

as SAP NetWeaver and the SAP Enterprise Service Oriented Architecture (ESOA) technology have created a great new challenge for the SAP consultant market. These new skills that consultants need to develop made it necessary to modify the company's qualification strategy. REALTECH anticipated this fast-growing SAP innovation early on, reorganizing its training program for SAP consultants accordingly. REALTECH customers have now also begun to make use of these training courses in order to get their employees in shape for the new challenges.

Employee numbers have only changed very slightly, with REALTECH AG employing 571 people on December 31, 2006 compared to 535 a year earlier. Out of these, 229 employees worked in Germany, compared to 219 the previous year, while around 60 percent worked at the company's international sites.

#### Prospects

Companies such as REALTECH that have responded to new market trends with appropriate further training measures at an early stage



In 2007, REALTECH is launching an employee qualification program called STEP-IN, which is aimed at both experienced consultants and those new to the job. The aim of this initiative is to provide employees with practical training to turn them into qualified SAP NetWeaver consultants. The program, spanning several weeks, has an ambitious goal, namely to get participants in shape for future SAP consulting projects. SAP-specific specialist courses are supplemented by training seminars designed to improve method expertise and social skills, whereby this covers not only problem-solving strategies and project management, but also presentation and workshop techniques. Once they have completed the qualification program, employees are then incorporated directly into projects – either working as independent consultants or teaming up with an experienced colleague.

can already establish a decisive competitive edge in the area of new SAP technologies. After all, not all SAP service providers possessed the strategic farsightedness and the necessary financial resources in order to qualify their employees in the relevant areas. REALTECH expects the number of SAP NetWeaver projects to rise substantially in the future, a development that will be reflected in positive results at REALTECH, especially in the years 2007 and 2008.





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**THE ROAD**

**Mastering complexity**

Flexibility, innovation and the ability to respond will be the decisive factors in future competition. Companies wanting to get ahead need to adapt their services without delay to the latest developments, customer requirements and market changes. This affects all areas of companies – from production, research and development, and human resources, to finance, sales and distribution, and marketing.

departments such as financial accounting and human resources. In other words, daily administrative tasks tie up resources and leave little time for innovation.

Out of company IT expenditure, an average of around 80 percent is spent on the operation of applications and technology. Conversely, this means that companies only allocate around 10 percent of their IT budgets to innovative projects. If companies fail to alter this, they will become less competitive. The way out of this problematic situation is obvious.



The success of a company depends on whether it is able to efficiently handle increasingly complex business processes. Today's company managers need to take account of and steer all business-relevant factors and the associated interactions. However, the rules and process models in place in companies are often not capable of handling the level of complexity now present in the world of business. Innovative IT solutions make this complexity transparent, and pinpoint where companies can simplify and improve their internal workflows.

**Information technology driving innovation**

Only very few companies have already exhausted the potential of IT to drive business processes. This comes as no surprise, as companies frequently use information technology only in the traditional way, i.e. to provide administrative support for workflows in internal

Companies need to reduce the cost of IT operation in order to free up the necessary funds for future-oriented investments. The first step here is to define and implement a revised IT strategy. As a second step, the necessary specialist knowledge needs to be obtained, before proceeding to the third step of procuring the necessary resources. "If you want to be fast and flexible, you need to collaborate with external partners," states the CIO of a telecommunications company. "It is often not possible to set up new processes and systems within a few months with your own resources alone."

**Flexibility and profitability**

Small businesses, medium-sized companies, large corporations and public authorities have gradually added additional software applications to their IT in order to make their working processes more efficient in all areas, to incorporate new suppliers or to expand their business operations. Moreover, when companies

have been taken over or merged, the IT departments have had to combine existing, generally different IT systems. All this has given rise to complex and rigid system infrastructures that are extremely difficult for IT departments to manage.

As a result, companies have had to adapt their business processes to the workflows defined in software programs, rather than the other way round. On top of this, these ideal typical business process models are often not able to keep up with rapidly changing business

scribed and the resulting approaches from an early stage. In order to solve the dilemma regarding the increasing complexity of IT systems, a radical step needs to be taken. That is to say, a new concept for setting up and operating system environments is needed that assigns top priority to flexibility and openness. Such a concept already exists in the form of the service-oriented architecture (SOA). REALTECH has recognized this trend more clearly than many competitors, and invested in good time in the development of appropriate skills within the company.



requirements, as data-oriented applications can usually only be tailored to meet new challenges with substantial programming, installation and integration outlay – and this leads to yet a further increase in IT complexity.

REALTECH's solutions and consulting skills enable companies to make their business processes more flexible, and therefore adapt them to new requirements as and when necessary. Precisely this flexibility is set to be one of the key focuses of information technology over the next few years. At the same time, pressure on costs is constantly rising, and it has become more important than ever for IT departments to demonstrate that their services make good business sense. As a result, optimization and consolidation will remain right at the top of company IT agendas in coming years.

In view of the fact that REALTECH consultants maintain close and regular contact with their customers, it is perfectly clear how REALTECH has been able to deal with the difficulties de-

#### SOA – the concept for software harmony

Service-oriented architectures constitute a turning point in the history of information technology, marking a clear break from the rigid, data-centered system models of the past. This new system architecture enables companies to design their business processes more flexibly. In the future, the application will no longer dictate the limits of business processes. Instead, applications will help companies to optimize their business processes with respect to the current economic situation.

Put in simpler terms, a service-oriented architecture constitutes a broad framework in which independent, loosely connected software services can be created, managed and combined. Each of these services is available on its own, can be used again, and can be accessed via a standardized interface. IT developers can



combine individual services by mouse-click as they choose, and make these services available to users in the various departments of a company in line with requirements. This gives companies the opportunity to smoothly link their existing applications to new applications. The resulting software environments are completely flexible, and IT experts can adapt them to suit any possible change in no time at all.

In addition, the IT department's new-found freedom to act makes their task considerably easier. This is because, within SOAs, all software-supported processes are run on a standardized platform. As a result, IT managers can monitor and control various IT systems in a much more straightforward and effective manner than before, while system developers are able to integrate new users and processes quickly and easily.



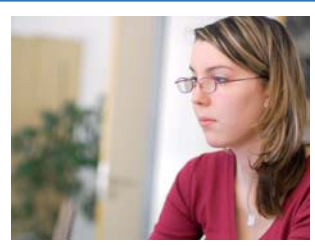
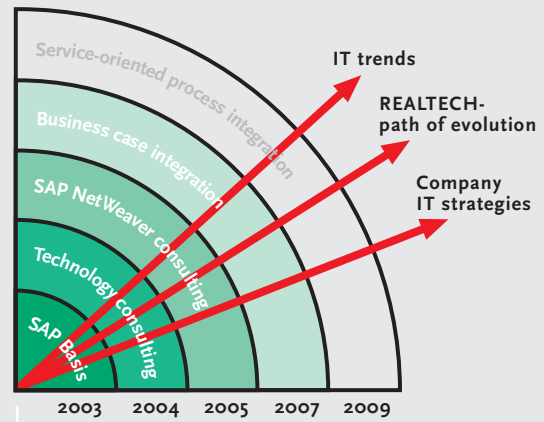
**Accelerating the flow of information**

Over the next few years, many companies will invest in SOA for business reasons, in order to avoid being at a disadvantage in the face of increasingly tough competition. After all, simplified data access further streamlines internal workflows, and makes decision-making processes both faster and more precise. This is because decision-makers can compile all important business data without the need for lengthy searches. In addition, SOA optimizes communication with customers, employees, partners and suppliers. Following mergers and takeovers, different systems and resources can be incorporated and implemented without the need for the substantial outlay usually required in the past, meaning that this type of transaction can contribute to company success faster than before.

**Focus on business goals**

SOA will transform the IT industry in the coming years. Experts, market research institutes and analysts all agree that the service-oriented architecture will establish itself on the market over the next few years. This rapid growth will no longer be driven solely by technical advantages, but primarily by business goals. This is the conclusion reached in a recent survey conducted by Zapthink, a renowned US IT consultancy. In order to be able to provide solutions for a particular operating problem, both companies and their service providers are increasingly turning to the SOA principle. "More and more SOA projects are clearly focusing on business goals," explains Zapthink analyst Jason Bloomberg. The typical customer now comes from the user department rather than from the technical department. Moreover, tried and tested SOA models are expected to soon become generally available, and to be viewed as standard components of IT projects.

On top of this, a further trend established by this survey is that companies are often using SOA concepts in order to better manage their enterprise-wide IT environment, as SOA facilitates integration tasks. The main players in the global IT industry have also made the service-oriented architecture an investment focus in the area of research and development – one example here being REALTECH’s partner SAP.



#### REALTECH – competent consulting services

Since being established in 1994, REALTECH has established a reputation as a capable consulting partner for companies from all industries and of all sizes. REALTECH sought a partnership with SAP AG early on, and the proximity of the two Walldorf-based companies gives REALTECH a valuable competitive edge in terms of expertise, something which consultants make use of in all projects for optimizing SAP systems. In this way, REALTECH sets itself apart from its competitors in the highly competitive consulting market.

In addition, REALTECH has made use of the customer proximity of its consulting specialists in the development of its software business area. Consultants’ expertise and experience are constantly incorporated into the development of theGuard! software. The various products monitor IT systems largely automatically, identify possible sources of error early on, and

automatically provide IT managers with suggestions as to how weak spots can be remedied quickly and efficiently. As a result, companies can benefit from reliable IT systems with minimum downtime.

As a consultant for SAP system environments, REALTECH remains a reliable and competent partner for customers with regard to IT optimization, consolidation and operation. Numerous specialists support customers in rationalizing their IT processes and structures in order to achieve tangible, permanent savings in computer center operation. In the context of consolidation consulting, REALTECH helps companies to establish simple and homogeneous system infrastructures with consistent business processes.

In the consulting business, REALTECH has added business process integration as a third focus to supplement its initial focuses of IT optimization and consolidation. This new focus covers consulting services for new Web technologies that make existing applications



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future-compliant. The solutions in the SAP NetWeaver product range have been at the heart of this expansion right from the start. REALTECH provides customers with extensive expertise in all issues relating to SAP NetWeaver projects – from operational use through to strategy consulting. The company's consultants pinpoint ways of using the new options offered by SAP NetWeaver to structure specific parts of business processes in a more accurate, straightforward, flexible and cost-effective manner than with existing technologies.

way for users to implement sound economic strategies with regard to their existing system. The ESOA application provides business components to supplement the model of independent services over the Internet. The advantage for companies is clear, namely that they can control the entire innovation and standardization cycle within a single environment.

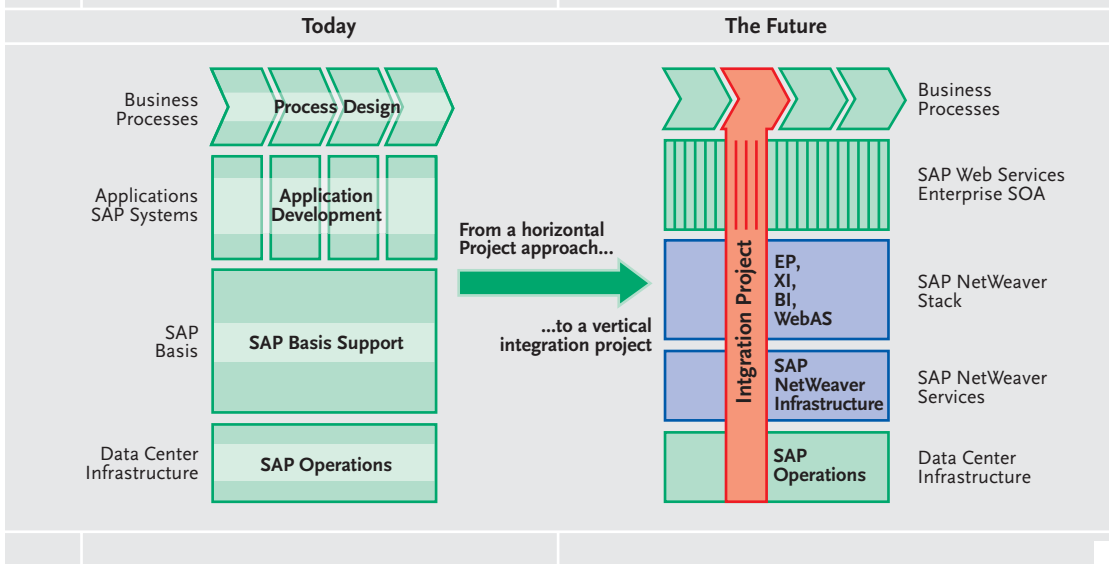
The core product in the ESOA strategy is SAP NetWeaver – a platform that primarily revolves around integration, connecting processes and IT systems across all boundaries. Using this



**SAP NetWeaver – the foundation for flexible processes**

SAP AG, the largest supplier of enterprise software worldwide, has developed its own SOA solution in the form of the Enterprise Service-Oriented Architecture (Enterprise SOA, or ESOA). SAP's SOA approach is paving the

platform, companies can implement an integrated IT strategy, rather than having numerous individual technical processes running independently of one another. With the implementation of a service-oriented architecture, SAP NetWeaver will in future provide standardized, yet individualized IT support for business



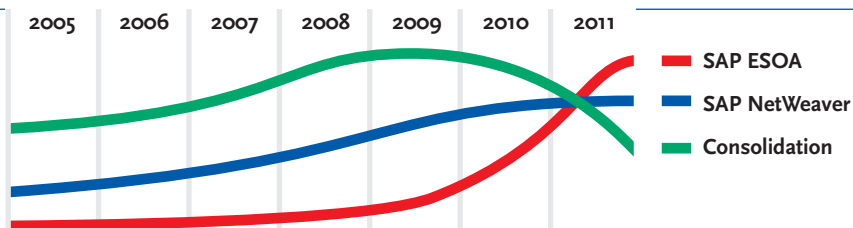
processes. It is becoming increasingly important to be flexible and to adjust rapidly to changing processes. However, this is not always possible in the old SAP environment. A service-oriented architecture promises fundamental improvement here. SAP NetWeaver lays the technical foundations for opening up existing application systems and making them more flexible.

SAP has the best chance of opening up the advantages of the SOA concept to end users. The Walldorf-based group offers a wide range

component, as SAP NetWeaver has made SAP a platform supplier. As a result, consulting skills will be particularly in demand when it comes to the interaction between software services, core technologies and business processes.

#### SAP Special Expertise Partner

With regard to NetWeaver projects, SAP is primarily concentrating on collaboration with its Premium partners, which are characterized by their particular expertise and practical ex-



of business and industry applications. If companies flexibly combine these solutions using a service-oriented architecture, market observers anticipate that SAP will be able to create a unique selling proposition and offer additional customer benefits.

REALTECH has intensively tracked the development of SAP NetWeaver, has adapted its consulting portfolio to this integration platform at an early stage, and has purposefully invested in appropriate education and further training for its employees to prepare them for the age of ESOA. As a result, the company has been available to provide customers with numerous consulting services relating to SAP NetWeaver since 2005. With the opportunities and prospects it offers, this integration platform is particularly important for consulting companies that focus on SAP consulting. This is because changing over to SAP NetWeaver is intended to help companies deal with outstanding issues, and is thus generating a growing need for consulting services. In the future, all SAP projects will have a considerable technological

experience. As an SAP Special Expertise Partner, REALTECH AG is a member of this exclusive group. SAP's ESOA projects are making it necessary for consultants to obtain entirely new qualifications, and the fundamental change in information technology is changing the way consultants define themselves. In the future, they will act less as engineers and more as consultants, and IT specialists will not be able to avoid having to deal with business processes. This means that good consultants will be distinguished by their basic technological knowledge, while at the same time being able to understand business processes.

#### SOA creates new prospects for the IT consulting market

The service-oriented architecture has got what it takes to make a lasting impression on the development of information technology in the 21st century. This is connected with huge growth opportunities for the industry. Market



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research company IDC predicts that the entire SOA market, including software, services and hardware, will expand to USD 21 billion by the end of 2007. Out of this total, companies are expected to spend around USD 8.6 billion in 2007 worldwide just on SOA-based external services. Compared to the figure of USD 3.6 billion in 2006, this constitutes an increase of 138 percent. According to IDC analysts, companies switching to a service-oriented architecture will particularly require support from external service providers in the areas of consulting and system integration. What's

**From technology specialist to strategic consulting partner**

According to experts, service providers are set to particularly benefit from the rising demand for project consulting, provided that they understand both company business strategies and SAP technology. Over the past few years, REALTECH has increased its investment in precisely these skills. The company has transformed itself from an SAP technology specialist into a strategic consulting partner for business-critical IT projects, but without



more, if other forecasts by experts are accurate, the market is set to reach a volume of USD 33.8 billion in four years' time.

In view of this situation, the change to a new SAP environment is becoming increasingly important. This development is extremely positive for REALTECH, as a knowledge of the new SAP NetWeaver platform was established within the company early on. For example, the REALTECH consultants can show their customers to what extent their organizations and corporate workflows are compatible with SAP NetWeaver, and also how SAP NetWeaver can be used to permanently optimize technical processes. REALTECH has strategically positioned itself so as to offer its customers end-to-end consulting services, from technology through to business processes.

forgetting its roots. In this way, REALTECH is able to provide its customers with highly competent support as they embark upon the new, flexible age of information technology.

All of this makes it clear that REALTECH is in a prime position to benefit from the forthcoming changes on the IT and SAP consulting market.

## Management Report





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Bridge over the Sylvenstein Reservoir,  
Bavaria, Germany.

Taking the direct route

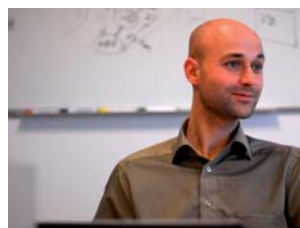
TAKING THE DIRECT ROUTE

**The Bridge to the future  
is via technology.**

Gotthard Günther,  
German philosopher and logician

## Management Report

The management report for REALTECH AG is combined with the management report for the Group.



### FINANCIAL SITUATION

#### Group business development

The REALTECH Group increased its revenue in fiscal year 2006 by 9 percent (previous year: 6 percent) from EUR 50,047 thousand to EUR 54,380 thousand. Both business areas played a role here: Consulting revenue increased 8 percent (previous year: 7 percent) from EUR 39,773 thousand to EUR 42,948 thousand, meaning that the consulting segment brought in 79 percent (previous year: 80 percent) of Group revenue. Revenue from software developed by the company, in the form of licenses, maintenance and supplementary services, rose 11 percent (previous year: 5 percent) from

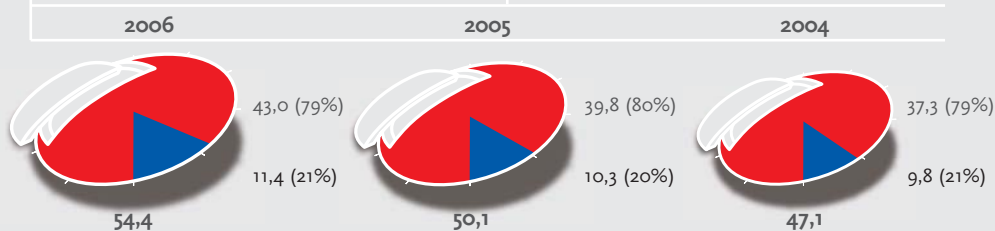
EUR 10,274 thousand to EUR 11,432 thousand. In fiscal year 2006, it was again the fourth quarter of the year, with a figure of EUR 3,766 thousand (previous year: EUR 3,059 thousand), that recorded the highest revenue.

Production costs increased in the year under review by 4 percent from EUR 30,972 thousand to EUR 32,350 thousand. Based on revenue, the figure fell from 62 percent to 60 percent.

This resulted in an increase in gross profit on revenue from EUR 19,075 thousand to EUR 22,030 thousand, or by 16 percent. In relation to revenue, this figure increased from 38 percent to 41 percent.

Revenues by segments (millions EUR)

- Consulting
- Software





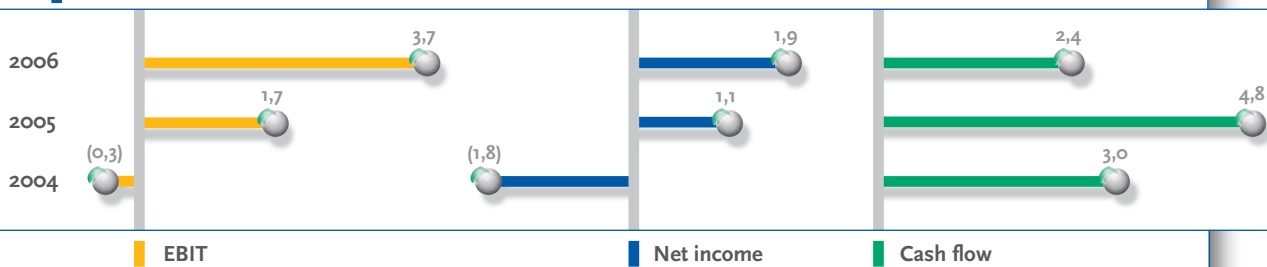
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Selling expenses were up 19 percent from EUR 6,087 thousand to EUR 7,246 thousand, representing 13 percent of revenue as opposed to 12 percent the previous year.

Administrative costs only changed slightly, increasing from EUR 6,975 thousand the previous year to EUR 7,039 thousand in the year under review. At the same time, these expenses fell from 14 percent to 13 percent as a proportion of revenue.

Net interest increased from EUR 380 thousand to EUR 457 thousand as a result of rising interest rates and an expanded basis. Earnings from financial investments and securities dropped from EUR 132 thousand to EUR 103 thousand. This figure concerns in particular income from selling securities. Mainly as a result of the values of the Japanese yen and US dollar falling compared to the euro, a currency translation loss of EUR 91 thousand was recorded in 2006, as opposed to a currency translation gain of EUR 77 thousand the year before.

**Income Situation and cash flow (millions EUR)**



Costs in the area of research and development were reduced by 10 percent to EUR 4,593 thousand (previous year: EUR 5,077 thousand). As a proportion of revenue, these expenses therefore fell from 10 percent to 8 percent.

The situation described is reflected in EBIT, which again saw a substantial improvement, climbing 121 percent from EUR 1,688 thousand to EUR 3,731 thousand. The EBIT margin increased from 3 percent to 7 percent, while EBITDA (earnings before interest, taxes, depreciation and amortization) rose by 63 percent from EUR 3,120 thousand to EUR 5,094 thousand. One of the main factors to which this development can be attributed is the great improvement in earnings in the software segment, which has made a positive contribution to earnings for the first time since being established. One thing that is particularly worth mentioning is that this was achieved not only for the year as a whole, but also in every single quarter of 2006.

Income taxes amounted to EUR 2,180 thousand, up from EUR 1,219 thousand in 2005. This includes EUR 1,745 thousand (previous year: EUR 900 thousand) of actual tax expense and EUR 435 thousand (previous year: EUR 319 thousand) of deferred tax expense.

Net income improved 71 percent from EUR 1,110 thousand to EUR 1,902 thousand. Based on the basic number of 5,173,452 shares on the end-year key date, this amounts to earnings per share of EUR 0.37 (previous year: EUR 0.22 at 5,092,452 shares).

**Business development in the various regions**

Each of the four REALTECH regions was able to increase revenue in fiscal year 2006. Revenues recorded in Germany increased 7 percent year on year (previous year: 2 percent) from EUR 21,653 thousand to EUR 23,079 thousand, falling slightly from 43 percent to 42 percent as a proportion of Group revenue. Revenues recorded in other countries amounted to EUR 31,301 thousand, therefore representing 58

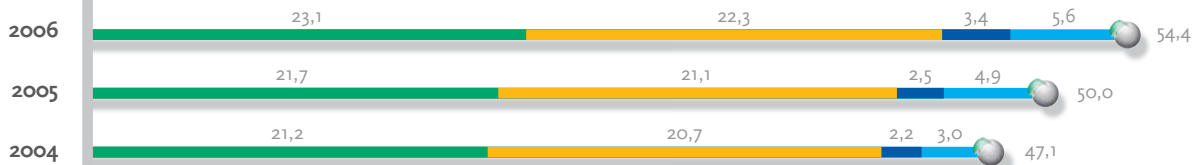
percent of total revenue compared to 57 percent the year before (EUR 28,394 thousand). This 10 percent increase (previous year: 10 percent) can be equally attributed to the regions of Europe excluding Germany, the US and Asia-Pacific.

The region of Europe excluding Germany recorded a 6 percent increase in revenue from EUR 21,058 thousand to EUR 22,263 thousand, a development that is based on a 20 percent revenue increase in Spain combined with unchanging revenues in Italy and Portugal. The

a par with the previous year. As a result of the situation described, the German REALTECH companies recorded a 64 percent increase in EBIT.

A very clear improvement was seen in the earnings situation of the companies in the European region excluding Germany, where EBIT was increased by almost 90 percent. The REALTECH companies in Italy and Spain are in particular to thank for this. A 25 percent increase was recorded by the US region. However, the greatest leap in terms of profitability

Revenues by regions (millions EUR)



Germany Rest of Europe USA Asia Pacific

proportion of total revenue accounted for by Europe excluding Germany fell from 42 percent to 41 percent. In the US region, revenue rose considerably, by 37 percent from EUR 2,483 thousand to EUR 3,389 thousand, meaning that its contribution to Group revenue increased from 5 percent to 6 percent. A 16 percent increase from EUR 4,853 thousand to EUR 5,649 thousand was recorded in the Asia-Pacific region. As in the previous year, Asia-Pacific contributed 10 percent of Group revenue.

Profit development was also positive for each individual region. In Germany, gross profit increased 12 percent, meaning that it increased disproportionately in relation to revenue. This included an 8 percent increase in the gross profit margin in the consulting segment and a 16 percent increase in this figure in the software segment. In the area of research and development, expenses were reduced by 10 percent over the past fiscal year, whereas costs in sales and distribution rose 25 percent. Administrative costs remained pretty much on

was achieved by the Asia-Pacific region, with substantial increases being recorded by the companies in New Zealand, Japan and Singapore. The greatest improvement of all was achieved by REALTECH New Zealand, where a negative contribution to profits in 2005 was succeeded by a positive contribution.

Appropriation of net profits

REALTECH AG's annual financial statements form the basis for a resolution to be passed during the General Meeting on the appropriation of earnings. The net profit recorded by REALTECH AG in the year under review amounted to EUR 3,177 thousand, following on from EUR 1,050 thousand in 2005. This increase is essentially due to the higher transfer of profits compared to the previous year, as well as to the investment income achieved. At the General Meeting, REALTECH AG's Executive and Supervisory Boards will propose the distribution of a dividend of 50 euro cents per



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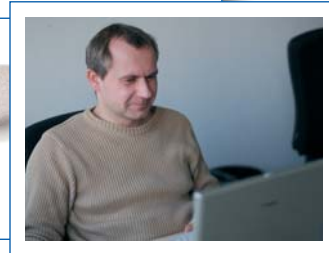
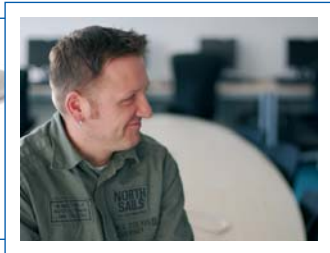
share for fiscal year 2006 from the company's net profit. The two committees made this decision on February 14, 2007. The General Meeting is scheduled to be held in Wiesloch on May 22, 2007.

**Investment and financing**

The REALTECH Group's cash flow from operating activities decreased in the year under review, amounting to EUR 2,413 thousand following a figure of EUR 4,818 thousand in 2005. This development can essentially be

**Balance sheet structure**

Compared to the previous year, total assets increased by 6 percent from EUR 57,310 thousand to EUR 60,937 thousand. The main reason for this was the increase in receivables on December 31, 2006 compared to the end of the previous year. The equity ratio fell slightly from 76.3 percent to 75.7 percent. The equity capitalization forms a sound basis for realizing further growth potential.



attributed to the disproportionate increase in trade receivables from the end of 2005 to the end of 2006.

Cash flow from investments in 2006 amounted to EUR 814 thousand, having been EUR 1,941 thousand the year before. With an increase in net cash and cash equivalents, this reduction was particularly caused by restructuring interest-bearing securities between the two key dates.

Cash flow from financing activities increased from EUR 172 thousand to EUR 270 thousand, a development that can be attributed in particular to the conversion and the associated increase in the number of shares.

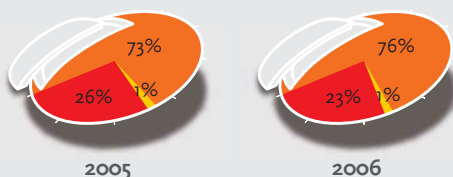
On the balance sheet date, the REALTECH Group had net cash and cash equivalents of EUR 27,997 thousand (previous year: EUR 25,948 thousand).

No matters of particular significance which have arisen since the end of the Group's financial year are known other than those disclosed here.

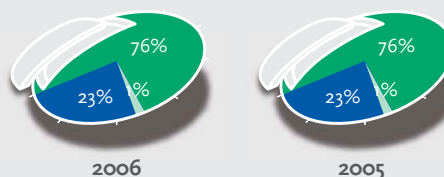
**RESEARCH AND DEVELOPMENT**

The software suite developed by REALTECH, theGuard!, provides customers with a complete solution for automated monitoring and efficient operation of IT infrastructures. This solution is made up of several components,

Assets



Shareholders' equity and liabilities



■ Fixed assets ■ Current assets ■ Other ■ Shareholders' equity ■ Current liabilities ■ Other

Consolidated balance sheet breakdown (end of year)

which communicate with one another via shared interfaces – creating synergy effects that generate added value for the customer.

REALTECH's software business benefits from the fact that experience gained in the Consulting division is incorporated into product development. As a result of this, the various functions provided by theGuard! are aligned very closely to actual customer requirements.

#### Cost reduction

Research and development costs in fiscal year 2006 reached a value of EUR 4,593 thousand, which is EUR 484 thousand, or 10 percent, less than the year before. As a proportion of revenue, these expenses therefore fell from 10 percent to 8 percent. On December 31, 2006, the Group had 57 employees working in research and development at its Walldorf and Schweitenkirchen sites (previous year: 58 employees).



#### Three business units

In 2006, REALTECH divided its software product area into three business units:

Application Management, responsible for theGuard! ApplicationManager

IT Service Management, responsible for theGuard! NetworkManager and theGuard! ServiceCenter

Special SAP Solutions, responsible for TransportManager and InterfaceManager.

This new organization enables the company to meet increased customer requirements much more efficiently than before. A professionally oriented sales and distribution department, as well as specific services tailored to the customer situation concerned, also help here.

#### Expansion and modernization

Research and development funds in 2006 were primarily directed towards the expansion and modernization of existing products, the aim being to create new product versions with innovative user interfaces and a new internal architecture in order to make individual solutions more useful and user friendly. The company's products can now be adapted even more flexibly to meet customer needs, and are a great deal easier for end users to work with.

theGuard! ApplicationManager enables customers to constantly monitor business applications, databases, Web servers, mail servers and operating systems with a high degree of efficiency, and to analyze the overall performance of their IT systems. One thing that is new is that this solution now supports monitoring of the Sun Solaris 10 x86 operating system platform, with processors from alternative manufacturers such as AMD, for all applications and databases. On top of this, theGuard!



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is able to simulate typical user actions in SAP systems, making it more straightforward for companies to also check the performance of their IT system under load. With regard to SAP ESA (Enterprise Service Architecture), theGuard! ApplicationManager is able to determine sources of error more quickly and easily. Increased key performance indicator requirements concerning quality in IT operation have been accommodated through the introduction of new quality reports.

**Positive contribution to earnings with an upwards trend**

REALTECH anticipates that the software business area will make a positive contribution towards the company's net income again in 2007, with an upwards trend. The main focus in the area of research and development in 2007 will be on developing more automated and secure solutions to meet the increased requirements relating to infrastructure and application operation. At the same time, the company plans to get its own product range



The further development of theGuard! NetworkManager and theGuard! ServiceCenter primarily revolved around the internationally recognized ITIL operation management standard (Information Technology Infrastructure Library). Thanks to a new module, equipment can now be installed and configured in a network in a more targeted manner than previously, thus greatly improving IT security. Used in conjunction with a database for configuration management (CMDB: Configuration Management Database), this product constitutes one of the first comprehensive ITIL software solutions on the market.

In the field of special SAP solutions, REALTECH introduced a new version of its TransportManager, Version 5.0, in 2006. This software now provides an even higher level of security and flexibility for updating SAP systems. As a result, TransportManager has reinforced its status as a solution that offers customers clear added value in comparison to the standard SAP system.

in shape for the future, using new technologies such as Microsoft.net and Web 2.0.

**RISK REPORT**

As a result of its international activities, as well as the increasing complexity and dynamic nature of its business, the REALTECH Group is naturally subject to various risks. These risks are directly associated with the company's business activities. Without being willing to take risks it is impossible to make the most of opportunities.

The Act on Control and Transparency in Business (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich, KonTraG) obliges the executive boards of public companies to set up a suitable risk management system and an internal monitoring system. In this way, developments that may affect the continued existence of a company should be recognized in good time.

### Risk management

The basic function of REALTECH AG's risk management system is to systematically identify and assess various types of risks and risk profiles. This is done with the aid of early warning, reporting, and controlling tools.

REALTECH's early warning system is an element of its strategic planning – the formulation of quantitative targets. Management recognizes deviations from specifications by means of strategic analysis, as well as during annual

### General economic risks

Leading economic research institutes anticipate that 2007 will be the fifth year running in which the global economy expands faster than the long-term average, and that the global economy will move towards a new balance with high growth rates. In view of its financial stability, profitability, proximity to customers, strategic orientation, and the wide range of measures taken to detect and deal with potential risks, REALTECH is confident of achieving all projected targets in spite of the risks de-



actual forecasts and projections. The system is based on monthly revenues, costs and earnings reports, which are supplemented by quarterly reports published with regard to operating assets. Financial control measures are used to determine and analyze deviations on the basis of the early warning and reporting systems. This provides the company with decision-making aids for potential corrective action. REALTECH deals with possible management risks by means of internal reporting with detailed forecasting and control processes.

The risk factors and areas of risk listed below could have a detrimental effect on REALTECH's business, financial situation, and results from operations. In addition, other risks that cannot be predicted at this point in time may also have a negative influence on business.

scribed. Nevertheless, a substantial worsening of the general economic conditions could have a detrimental effect on REALTECH's revenue and income.

### Industry risks

Following on from a good IT year in 2006, leading analysts are not quite so optimistic about 2007. At the same time, the IT sector is undergoing a phase of consolidation, based on numerous acquisitions and mergers. This could give rise to negative effects upon REALTECH's expected business results. In order to be successful, REALTECH needs to recognize relevant trends at an early stage and respond to them.

Concentrating on products from SAP AG makes REALTECH largely dependent on the market acceptance of this partner. REALTECH anticipates that the market for SAP solutions will continue to grow. In addition, SAP records a substantial proportion of its sales revenues from its large regular customer base. Should





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existing SAP customers decide against extending their maintenance contracts, or decide not to sign any new license contracts for further products, this could have a significant influence on the revenues and income of REALTECH. However, in view of the extremely sound growth recorded by SAP in business with existing customers in recent years, this seems unlikely.

REALTECH's forecasts are based on the assumption that demand for system management products will continue to increase at the

Principally, the company is subject to the risk that the products and services it offers may not enjoy sufficient market acceptance. As a result of a rapid technology changeover or erroneous development activities, for instance, customer requirements may not quite be met. In addition, cyclical fluctuations may postpone expected revenues and income in the short or medium term.

One core part of the SAP strategy entails ensuring that the SAP NetWeaver technology and business process platform achieves a



pace predicted by industry analysts. When it comes to developing its solutions, moreover, REALTECH pays great attention to customer requirements, hoping to maximize market acceptance. However, the company is not in a position to guarantee that this acceptance will also remain constant in the future. In particular, the fact that competitive pressure is constantly increasing – amongst other things due to takeovers and the associated market concentration – may have the result that REALTECH products do not obtain the desired market access.

**Operative risks**

REALTECH needs to take a large number of potential risks into account with regard to its consulting and product business. Despite numerous precautions, the Group is unable to guarantee that it will succeed in detecting and neutralizing all risks at an early stage. Moreover, several of these risks lie outside REALTECH's sphere of influence.

breakthrough on the market. This is an area of ever-increasing importance for REALTECH, in which the company regularly invests. If SAP NetWeaver fails to make the aspired breakthrough, this would obviously affect the sales revenues and earnings of REALTECH.

All REALTECH solutions, as well as all new product versions, are subject to a comprehensive quality assurance procedure. Nevertheless, there is still a danger of issues occurring that have a negative effect on the company's image. Identified errors could cause a delay in new products being brought to market, with the result of additional costs and lost revenues.

Events that occur as a result of such risks may detract from the validity of original assumptions regarding future business developments as well as forecasts regarding revenue and income. At present, REALTECH assumes that general economic conditions will have no significant negative impact on its business development. Nevertheless, unexpected changes

in the economic situation could have a detrimental effect on the Group's revenue and income.

#### Personnel risks

It is REALTECH's highly qualified employees who enable the company to provide and market its services, develop and market its products, and successfully manage its business processes. In the event that a large number choose to leave REALTECH and no suitable replacement can be found, this may have a

#### Communication and information risks

REALTECH has implemented a range of measures aiming to counteract the risk that internal, confidential announcements and information regarding highly sensitive topics, for instance regarding business figures, future strategies, technologies and products, might be passed on to the general public incorrectly or too early. These measures include binding enterprise-wide guidelines on external communication, as well as IT precautions to prevent confidential internal communication content from



detrimental effect on REALTECH's business. With the exception of selected executives, the employment contracts of most REALTECH employees currently contain no competition clause for the event that the employees terminate their working relationship. Therefore, in view of the fact that competition for highly qualified people in the IT sectors has become stronger again, it is not possible to guarantee that REALTECH will be able to retain its most important performers in the long term. Nevertheless, the employee fluctuation rate has been relatively low, especially over the past two years. For this reason, REALTECH estimates the risk of suffering any real impairment to its business development as a result of losing managers and employees to be low at present.

The company anticipates that it will continue to be able to adequately meet its requirement for specialists and executive managers in the relevant job markets. Should the company prove unable to do this, this could have a negative impact on business development.

being forwarded via external communication networks. Based on these measures, REALTECH considers it unlikely that the aforementioned risk will take effect. Despite this, there is no guarantee that the protective mechanisms introduced will be successful in every single case.

#### Financial risks

Since January 1, 1999, the euro has been REALTECH's balance sheet and Group currency. The company trades predominantly in the euro zone, and is therefore only exposed to marginal risks from exchange rate fluctuations. REALTECH continually monitors potential currency fluctuation risks on the basis of balance sheet items and expected cash flows, and deals with these risks by means of targeted exchange rate management. Other financial risks are averted by a credit management system, as well as by stringent receivables management and checks on creditworthiness.

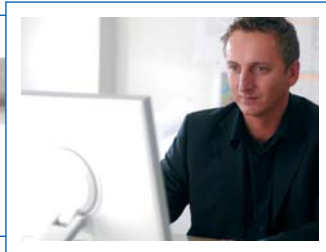


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**Insurance risks**

The REALTECH Group is insured against claims for damages, including claims under liability law. This should limit the possible consequences of remaining risks, if not eliminate them altogether. The extent of this insurance cover is regularly reviewed and updated as necessary.

whereby REALTECH's main aim is to specifically extend its product portfolio. The risks typical of such transactions include problems in integrating the acquired company and the technologies or products concerned into existing technologies and products, a possible interruption to ongoing business activity, problems in obtaining important specialists and executives, the unwitting adoption of essential obligations of the acquired company, and possible negative effects on relationships with partner companies or customers.



**Other risks**

Risks also result from rules and laws relating to tax, competition, and patents. In order to counteract such risks, REALTECH bases decisions and the design of business processes on extensive legal consulting both by its own experts and by proven external experts. Although REALTECH essentially protects its rights, software, and intellectual property through copyright and trademarks, the company cannot entirely eliminate the possibility of its products being copied or existing rights being misused.

New laws or changed jurisprudence may give rise to legal rules that also affect past issues.

In order to expand its business, REALTECH has in the past purchased not only companies, but also products and technologies. Such acquisitions are also planned for the future,

REALTECH combats these risks with a wide range of measures, ranging from a comprehensive technical, financial, tax-related and legal due diligence verification of the acquisition object and end-to-end risk assessment to establish essential transaction and integration risks, through to detailed integration planning and implementation by special integration teams. As REALTECH has acquired only a relatively small number of companies up to now, the risks described above appear controllable, and it is unlikely that they will trigger any significant negative influence on the company's expected earnings.

No developments can currently be observed which may endanger the company's continued existence or have a substantial detrimental effect on the company's net assets, financial position, and results of operations. An overall assessment of risks and the risk management system used have shown that only a few, limited risks exist and that the risk management system works efficiently.

**DISCLOSURES AS PER SECTION 315,  
PARAGRAPH 4 OF THE GERMAN  
COMMERCIAL CODE**

As a result of new legislation, the company is required for the first time to provide disclosures in accordance with the catalog in Section 315, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB) for the past fiscal year (2006). To meet this requirement, the company is providing the following information:

The powers of the Executive Board with regard to issuing or buying back shares are as follows (further details are defined in Section 4 of the Articles of Association):

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions up until May 1, 2009 by issuing new shares against cash or non-cash contributions by a total of up to EUR 3,233,707.02.



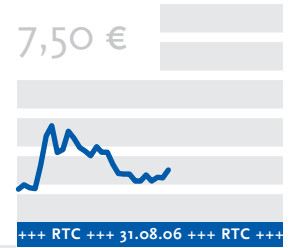
Share capital is made up as follows: The company's share capital amounts to EUR 6,570,284.04, and is split into 5,173,452 no-par value shares. The shares are in the name of the holder.

The proportions of capital held by Mr. Daniele Di Croce, Mr. Rainer Schmidt and Mr. Peter Stier each exceed 10 percent of voting rights.

The members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 of the Stock Corporation Act (Aktiengesetz, AktG) and Section 5.2 of the Articles of Association. In accordance with Section 179, paragraph 1 of the Stock Corporation Act, every change to the Articles of Association requires a decision to be made at the Annual General Meeting. The authority to make changes that only concern wording can be transferred by the Annual General Meeting to the Supervisory Board. This authority is granted to the Supervisory Board in Section 10.2 of the Articles of Association.

The company's share capital has been conditionally increased by a further EUR 571,500.00, divided into 450,000 no-par value shares in the name of the holders (contingently issuable shares II). This second conditional capital increase has the purpose of issuing stock options on company common stock free of charge to employees, managers, the employees of associates and new members of the company's Executive Board, in accordance with the decision of the Annual General Meeting on May 22, 2000. This conditional capital increase will only be implemented to the extent that those authorized make use of their options.

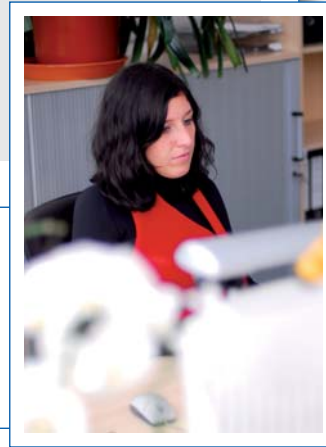
The company's share capital has been conditionally increased by up to EUR 2,598,707.02 by issuing up to 2,046,226.00 new no-par value shares. This conditional capital increase will only be implemented to the extent to which the holders of bonds that the Executive and Supervisory Boards were authorized to issue up to May 15, 2007, based on a decision reached by the Annual General Meeting on



May 16, 2002, make use of conversion rights/ obligations or options.

As of the end of the day of the Annual General Meeting on May 16, 2006, in accordance with Section 71, paragraph 1, no. 8 of the Stock Corporation Act, the company was authorized to purchase treasury shares amounting to up to 10 percent of share capital (EUR 6,467,414.04 at this point in time) up until November 15, 2007 for purposes other than trading in treasury shares. The shares purchased, together with other treasury shares

held by the company or attributable to the company as per Section 71a ff. of the Stock Corporation Act, must at no time amount to more than 10 percent of share capital.



**OUTLOOK**

Fiscal year 2006 has been one of the most successful in the history of REALTECH AG, with revenue increasing by 9 percent and EBIT by an impressive 121 percent. The software business segment made a significant positive contribution towards income. One thing that is particularly pleasing is that this division recorded a profit in each of the four quarters of 2006. These excellent developments clearly show that REALTECH took the correct decision in implementing the business area restructuring measures initiated in 2004.

At the same time, REALTECH succeeded decisively in 2006 in establishing itself as a consulting specialist for strategically important business processes and projects. Whereas REALTECH AG used to be viewed as a pure technology consultancy for SAP systems, the company has now for several years additionally made a name for itself in business process consulting in connection with SAP applications. REALTECH continues to support its

customers as before in IT optimization, consolidation and operation. However, REALTECH has now also extended its consulting portfolio to cover operational company processes, therefore tapping another attractive market with high economic potential.

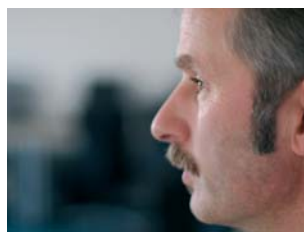
**Leading solution supplier in process consulting**

With this combination of SAP technology skills and expertise in the process consulting business, REALTECH sets itself apart from the competition. As a result, the company is also a leading solution supplier for demanding SAP products and systems on an international scale, an exceptional position that SAP AG has confirmed by including REALTECH in several exclusive partner programs. The company intends to expand upon this unique selling proposition in the years to come, while placing a clear emphasis on modern SAP environments. This is precisely one of the market

segments in which analysts anticipate a substantial rise in the demand for consulting services.

The reason for this development is a fundamental change in information technology, turning away from rigid system structures and towards the flexibility offered by service-oriented architectures (SOAs). All experts have now reached the conclusion that the future of application infrastructures lies in this concept. It was in view of this that SAP AG designed its SAP NetWeaver integration platform,

companies fit in with REALTECH in terms of the subject areas they cover, their technical level and their internal philosophy. Their areas of expertise should overlap those of the company itself as little as possible. In this way, REALTECH intends to cover a broader range of consulting areas and open itself up even more to the market. Expertise in business-oriented subject areas, which up to now has primarily concentrated on SAP, will be extended to other suppliers, as well as to partners of SAP such as IBM and Microsoft.



a product that has already changed, and will continue to change, the market for consulting services. More and more large corporations and medium-sized companies are launching projects with the aim of implementing an SOA strategy. In this process, the companies are greatly reliant on external expertise.

**Faster growth than the market as a whole**

In the area of consulting, REALTECH has set itself the goal of achieving a higher growth rate in 2007 than the market as a whole. In particular, the Walldorf-based IT service provider intends to consistently continue concentrating on more demanding issues that require intensive consulting services, a focus that was introduced in 2005. At the same time, REALTECH aspires to achieve inorganic growth, spurred on by partnerships and acquisitions that expand REALTECH's range of services and solutions. The key criterion here is that

The software business will continue to focus on five products, which in turn revolve around the requirements of new SOA-based architectures and thus make a substantial contribution towards operating such systems efficiently and reliably. theGuard! ApplicationManager safeguards the availability and performance of business-critical applications. theGuard! NetworkManager is used to visualize, monitor and control heterogeneous networks and systems. theGuard! ServiceCenter supports all ITIL-compliant (Information Technology Infrastructure Library) service and support processes. TransportManager regulates and monitors the distribution of SAP application changes. InterfaceManager integrates external applications quickly and easily into SAP systems.

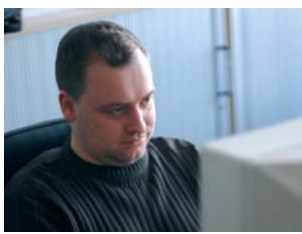


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**Increased customer orientation thanks to business units**

The model of business units for individual products, introduced in 2006, has proved highly successful. This business unit model promotes customer orientation in that employees identify themselves even more than before with the product, the business unit and the associated customer requirements. This new method of collaboration is boosting efficiency and productivity throughout the entire company.

market. Investments will be made in order to continue the positive trend seen in 2006. In Spain, REALTECH aims to expand upon its leading market position in SAP technology consulting. In Italy, following the turnaround in 2005 and consolidation in 2006, REALTECH hopes to further increase revenue. REALTECH also anticipates maintaining stable growth in the Asia-Pacific region. To this end, the company opened a new business office in the Japanese city of Osaka at the end of 2006.



The model provides a good starting point for REALTECH to set new market trends within its existing product range. Above all, the company benefits here from the customer proximity of its experts in the various areas, who intensively and constantly swap ideas and experience with the research and development division. In this way, the range of software products offered can be expanded rapidly in line with customer needs when new developments emerge on the market or at the customer end. Bearing all this in mind, REALTECH aims to achieve a revenue growth rate in the software segment of between 12 and 15 percent, while maintaining stable costs. The EBIT margin, which was positive for the first time in 2006, is expected to be further improved.

**Concentration on core countries**

In 2007, REALTECH intends to concentrate on the markets in Germany, Italy, Spain and the US. In the US in particular, the company aims to achieve rapid growth in line with the

The REALTECH Group has begun fiscal year 2007 with clear goals, aiming to achieve a high one-digit growth rate in terms of revenue and to increase EBIT by between 10 and 15 percent. In addition, REALTECH aspires to grow faster than the market as a whole in the consulting sector. REALTECH has already laid the foundations for meeting these goals, as the company underwent a clear transformation in 2005 and 2006, and has tactically expanded its range of services. REALTECH intends to proceed along the road it has mapped out.

## Consolidated Financial Statements



Reaching the Goal

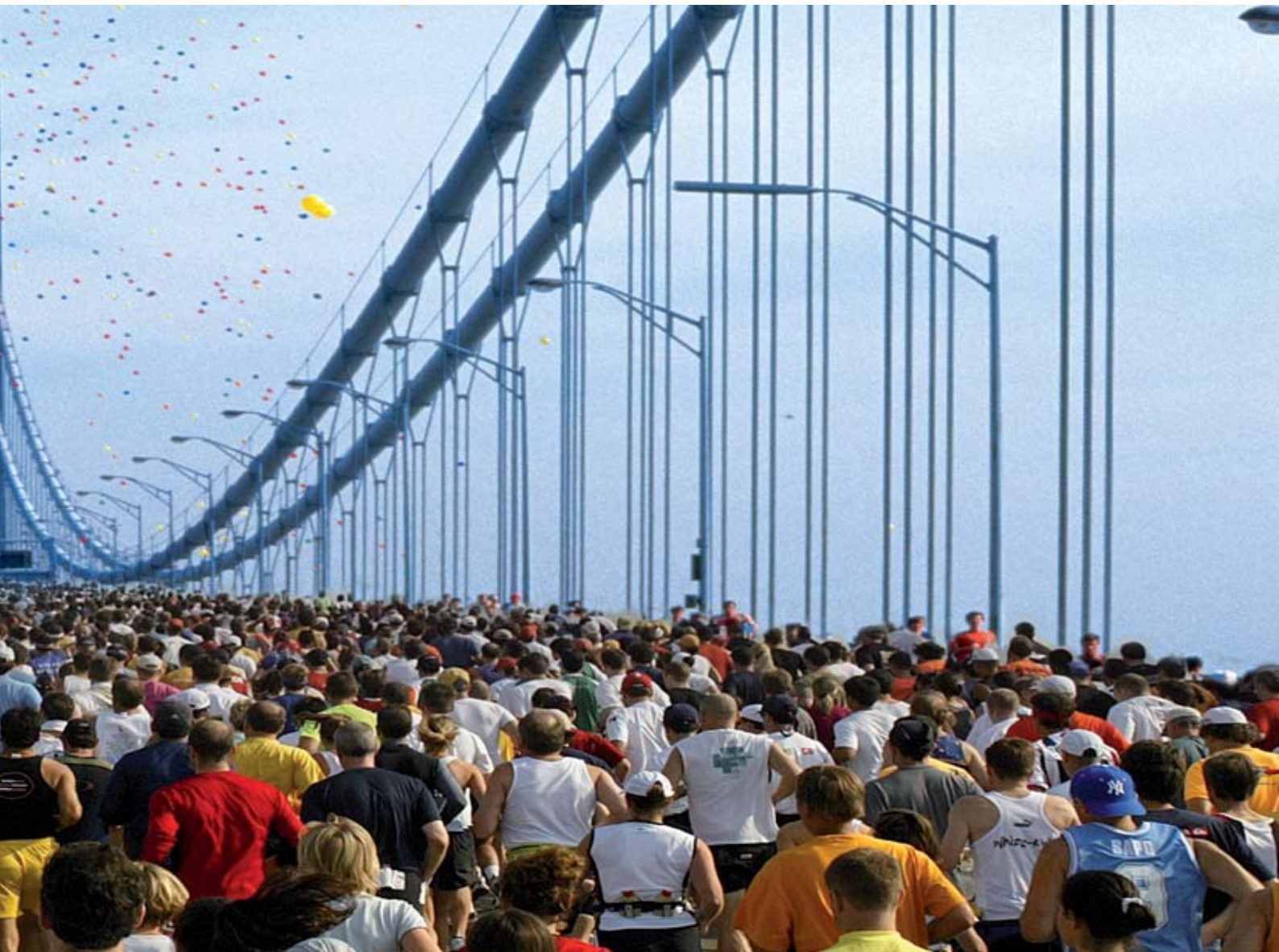


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Verrazano-Narrows Bridge  
between Staten Island and Brooklyn,  
New York, USA;  
Starting point of the  
New-York-City-Marathon.



To attain success, you need to  
cross the bridge of planning.

**Adolf Loos,**  
austrian architect

## Consolidated Balance Sheets

|  | Notes | 31.12.2006        | 31.12.2005        |
|--|-------|-------------------|-------------------|
|  |       | EUR               | EUR               |
| <b>ASSETS</b>  |       |                   |                   |
| <b>Fixed assets</b>  |       |                   |                   |
| <b>Intangible assets</b>                                     | (7)   |                   |                   |
| Concessions, industrial rights and similar rights and assets |       | 162.340           | 208.074           |
| Payments on account  |       | 0                 | 548               |
| Goodwill   |       | 4.335.679         | 4.335.679         |
|  |       | <b>4.498.019</b>  | <b>4.544.301</b>  |
| <b>Tangible assets</b>                                       | (7)   |                   |                   |
| Property, plant and equipment                                |       | 8.002.845         | 8.272.105         |
| Technical equipment and machines                             |       | 60.341            | 74.602            |
| Other equipment and office equipment                         |       | 1.491.969         | 1.927.167         |
|  |       | <b>9.555.155</b>  | <b>10.273.874</b> |
| <b>Financial assets</b>                                      | (7)   |                   |                   |
| Interests in associates                                      |       | 34.631            | 21.080            |
| Securities   |       | 52.830            | 32.145            |
|  |       | <b>87.461</b>     | <b>53.225</b>     |
| <b>Current assets</b>  |       |                   |                   |
| <b>Receivables and other assets</b>                          |       |                   |                   |
| Trade receivables  | (9)   | 17.330.648        | 14.643.373        |
| Tax assets   | (14)  | 205.680           | 454.343           |
| Other assets   | (10)  | 745.039           | 514.521           |
|  |       | <b>18.281.367</b> | <b>15.612.237</b> |
| <b>Securities</b>  | (11)  | <b>15.024.394</b> | <b>16.471.444</b> |
| <b>Cash and cash equivalents</b>                             |       | <b>12.972.973</b> | <b>9.476.187</b>  |
| <b>Deferred tax assets</b>                                   | (14)  | <b>517.319</b>    | <b>879.126</b>    |
| <b>Total assets</b>  |       | <b>60.936.688</b> | <b>57.310.394</b> |



## SHAREHOLDERS' EQUITY AND LIABILITIES

|   |       | 31.12.2006        | 31.12.2005        |
|---|-------|-------------------|-------------------|
|   | Notes | EUR               | EUR               |
| <b>Shareholders' equity</b>   | (12)  |                   |                   |
| Subscribed capital<br>(authorized capital EUR 3.130.837; py: EUR 3.233.707) |       | 6.570.284         | 6.467.414         |
| Additional paid-in capital  |       | 33.749.587        | 33.228.257        |
| Revaluation surplus   |       | 25.969            | (179.046)         |
| Cumulative translation differences  |       | (157.299)         | (23.239)          |
| Retained earnings   |       | 5.336.833         | 3.943.669         |
|   |       | <b>45.525.374</b> | <b>43.437.055</b> |
| <b>Minority interests</b>   | (13)  | <b>370.496</b>    | <b>286.909</b>    |
|   |       | <b>45.895.870</b> | <b>43.723.964</b> |
| <b>Current liabilities</b>  |       |                   |                   |
| Trade accounts payable  | (16)  | 1.768.110         | 1.610.518         |
| Income tax payable  | (14)  | 919.400           | 992.950           |
| Provisions  | (15)  | 8.266.118         | 7.424.287         |
| Other liabilities   | (16)  | 2.145.214         | 1.920.682         |
| Deferred income   |       | 1.124.803         | 1.001.445         |
|   |       | <b>14.223.645</b> | <b>12.949.882</b> |
| <b>Deferred tax liabilities</b>   | (14)  | <b>817.173</b>    | <b>636.548</b>    |
|   |       |                   |                   |
|   |       |                   |                   |
|   |       |                   |                   |
|   |       |                   |                   |
|   |       |                   |                   |
|   |       |                   |                   |
|   |       |                   |                   |
| <b>Total shareholders' equity and liabilities</b>                           |       | <b>60.936.688</b> | <b>57.310.394</b> |

## Consolidated Statements of Income

|   |       | 2006              | 2005              |
|---|-------|-------------------|-------------------|
|   | Notes | EUR               | EUR               |
| Revenues  | (18)  | 54.380.196        | 50.046.887        |
| Costs of revenues                                   |       | 32.350.069        | 30.972.167        |
| <b>Gross profit</b>                                 |       | <b>22.030.127</b> | <b>19.074.720</b> |
| Selling and marketing expenses                      |       | 7.246.295         | 6.086.984         |
| General and administrative expenses                 |       | 7.039.189         | 6.974.496         |
| Research and development expenses                   |       | 4.593.382         | 5.077.156         |
| Other operating expenses                            | (20)  | 1.553.980         | 1.073.603         |
| Other operating income                              | (21)  | 2.133.347         | 1.825.499         |
| <b>Operating income</b>                             |       | <b>3.730.628</b>  | <b>1.687.980</b>  |
| Net interest  | (22)  | 456.656           | 379.881           |
| Income from associated companies                    |       | 0                 | 121.737           |
| Income from financial assets and securities         |       | 102.573           | 131.631           |
| Foreign currency exchange gains / losses            |       | (90.712)          | 76.512            |
| <b>Income before taxes (and minority interests)</b> |       | <b>4.199.145</b>  | <b>2.397.742</b>  |
| Income taxes  | (14)  | 2.180.166         | 1.219.417         |
| <b>Income before minority interests</b>             |       | <b>2.018.979</b>  | <b>1.178.325</b>  |
| Minority interests                                  |       | (116.570)         | (67.926)          |
| <b>Net income</b>                                   |       | <b>1.902.409</b>  | <b>1.110.399</b>  |
| Accumulated profit/loss carried forward             |       | 3.943.669         | 2.833.270         |
| Dividend payment                                    |       | (509.245)         | 0                 |
| <b>Retained earnings</b>                            |       | <b>5.336.833</b>  | <b>3.943.669</b>  |
| Earnings per share – basic                          |       | 0,37              | 0,22              |
| Earnings per share – diluted                        |       | 0,34              | 0,21              |
| Average number of shares outstanding – basic        |       | 5.173.452         | 5.092.452         |
| Average number of shares outstanding – diluted      |       | 5.632.452         | 5.312.452         |



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## Consolidated Statements of Cash Flows

|   | 2006              | 2005             |
|---|-------------------|------------------|
|   | EUR               | EUR              |
| <b>Net income</b>   | <b>1.902.409</b>  | <b>1.110.399</b> |
| Depreciation of fixed assets                                      | 1.363.441         | 1.431.783        |
| Change in income tax payable                                      | (364.171)         | 58.076           |
| Payment for income taxes  | 290.621           | 167.559          |
| Change in accrued expenses  | 841.831           | 916.900          |
| Change in trade accounts receivable                               | (2.687.275)       | 1.072.574        |
| Change in other assets  | 379.953           | 687.149          |
| Change in trade accounts payable and in other current liabilities | 686.107           | (626.861)        |
| <b>Cash flow from operating activities</b>                        | <b>2.412.916</b>  | <b>4.817.579</b> |
| Asset disposals   | 43.145            | 29.424           |
| Purchase of intangible assets                                     | (68.618)          | (240.980)        |
| Purchase of tangible assets                                       | (566.491)         | (895.537)        |
| Investment in financial assets                                    | (40.712)          | 708.017          |
| Change in current securities                                      | 990.393           | 1.960.588        |
| Proceeds from interests   | 463.496           | 386.716          |
| Payment for interests   | (6.840)           | (6.835)          |
| <b>Cash flow from investing activities</b>                        | <b>814.373</b>    | <b>1.941.394</b> |
| Change in dividends   | (509.245)         | 0                |
| Change in convertible bonds                                       | 521.330           | 0                |
| Other change in shareholders' equity and in minority interests    | 257.411           | 171.889          |
| <b>Cash flow from financing activities</b>                        | <b>269.496</b>    | <b>171.889</b>   |
| <b>Change in cash and cash equivalents</b>                        | <b>3.496.786</b>  | <b>6.930.861</b> |
| <b>Cash and cash equivalents at beginning of the period</b>       | <b>9.476.187</b>  | <b>2.545.326</b> |
| <b>Cash and cash equivalents at end of the period</b>             | <b>12.972.973</b> | <b>9.476.187</b> |

## Consolidated Statements of Changes in Shareholders' Equity

|  | Common stock     | Subscribed capital | Additional paid-in-capital |
|--|------------------|--------------------|----------------------------|
|  | Number           | EUR                | EUR                        |
| <b>December 31, 2002</b>   | <b>5.077.586</b> | <b>6.467.414</b>   | <b>36.798.418</b>          |
| Net income   |                  |                    |                            |
| Unrealized profit/loss from securities translations<br>incl. effects from its realization  |                  |                    |                            |
| Translation adjustments  |                  |                    |                            |
| Purchase of treasury stock   | (1.420)          |                    |                            |
| <b>December 31, 2003</b>   | <b>5.076.166</b> | <b>6.467.414</b>   | <b>36.798.418</b>          |
| Net income   |                  |                    |                            |
| Unrealized profit/ loss from securities translations<br>incl. effects from its realization |                  |                    |                            |
| Translation adjustments  |                  |                    |                            |
| Withdrawal from additional paid-in-capital   |                  |                    | (3.678.819)                |
| Purchase of treasury stock   | 16.286           |                    | 108.657                    |
| <b>December 31, 2004</b>   | <b>5.092.452</b> | <b>6.467.414</b>   | <b>33.228.257</b>          |
| Net income   |                  |                    |                            |
| Unrealized profit/ loss from securities translations<br>incl. effects from its realization |                  |                    |                            |
| Translation adjustments  |                  |                    |                            |
| Minority interests   |                  |                    |                            |
| <b>December 31, 2005</b>   | <b>5.092.452</b> | <b>6.467.414</b>   | <b>33.228.257</b>          |
| Change in subscribed capital   | 81.000           | 102.870            |                            |
| Net income   |                  |                    |                            |
| Unrealized profit/ loss from securities translations<br>incl. effects from its realization |                  |                    |                            |
| Translation adjustments  |                  |                    |                            |
| Dividend payment   |                  |                    |                            |
| Execution of stock options and convertible bonds   |                  |                    | 521.330                    |
| Minority interests   |                  |                    |                            |
| <b>December 31, 2006</b>   | <b>5.173.452</b> | <b>6.570.284</b>   | <b>33.749.587</b>          |



| Revaluation surplus | Cumulative translation differences | Retained earnings | Minority interests | Treasury stock | Shareholders' equity |
|---------------------|------------------------------------|-------------------|--------------------|----------------|----------------------|
| EUR                 | EUR                                | EUR               | EUR                | EUR            | EUR                  |
| (72.892)            | (10.244)                           | 1.240.333         | o                  | (19.002)       | 44.404.028           |
|                     |                                    | (325.580)         |                    |                | (325.580)            |
| (31.837)            |                                    |                   |                    |                | (31.837)             |
|                     | (20.802)                           |                   |                    |                | (20.802)             |
|                     |                                    |                   |                    | (1.815)        | (1.815)              |
| (104.728)           | (31.046)                           | 914.753           | o                  | (20.817)       | 44.023.993           |
|                     |                                    | (1.760.301)       |                    |                | (1.760.301)          |
| 120.178             |                                    |                   |                    |                | 120.178              |
|                     | (71.668)                           |                   |                    |                | (71.668)             |
|                     |                                    | 3.678.819         |                    |                |                      |
|                     |                                    |                   |                    | 20.817         | 129.474              |
| 15.450              | (102.714)                          | 2.833.270         | o                  | o              | 42.441.677           |
|                     |                                    | 1.110.399         |                    |                | 1.110.399            |
| (194.496)           |                                    |                   |                    |                | (194.496)            |
|                     | 79.475                             |                   |                    |                | 79.475               |
|                     |                                    |                   | 286.909            |                | 286.909              |
| (179.046)           | (23.239)                           | 3.943.669         | 286.909            | o              | 43.723.964           |
|                     |                                    |                   |                    |                | 102.870              |
|                     |                                    | 1.902.409         |                    |                | 1.902.409            |
| 205.015             |                                    |                   |                    |                | 205.015              |
|                     | (134.060)                          |                   |                    |                | (134.060)            |
|                     |                                    | (509.245)         |                    |                | (509.245)            |
|                     |                                    |                   |                    |                | 521.330              |
|                     |                                    |                   | 83.587             |                | 83.587               |
| 25.969              | (157.299)                          | 5.336.833         | 370.496            | o              | 45.895.870           |

## Notes to the Consolidated Financial Statements

### Accounting policies

#### 1. Basis of preparation of the consolidated financial statements

REALTECH AG has prepared its consolidated financial statements in accordance with the accounting standards of the International Accounting Standards Board (IASB) – i.e. the International Financial Reporting Standards (IFRS) as they must be applied in the EU – since fiscal year 2005. The IAS, IFRS, and corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC) applicable on December 31, 2006 have been taken into account. The figures for the previous year have also been determined based on the same standards.

According to Section 315a of the German Commercial Code (Handelsgesetzbuch, HGB), REALTECH AG is required to prepare consolidated financial statements in accordance with IFRS. The consolidated financial statements have been prepared in euros. Where there is no indication of the contrary, all amounts are specified in thousands of euros (TEUR). The consolidated financial statements give a fair presentation of the Group's net assets, financial position, and earnings situation.

The income statement has been prepared in accordance with the "cost of sales" method.

REALTECH AG is a registered stock corporation under German law and is headquartered in Walldorf/Baden, Germany.

The company maintains a presence and offers its products and services in Germany, Italy, Spain, Portugal, the United States of America, New Zealand, Singapore, Japan, and Argentina.

The company manages and supports its subsidiaries specializing in technology consulting, hosting SAP and e-business solutions, and software development for applications and systems management.

The consolidated financial statements and Group management report have been drawn up by the Executive Board, and were approved for forwarding to the Supervisory Board on February 20, 2007.

#### 2. Companies included in the consolidated financial statements

The group of consolidated companies of REALTECH AG, Walldorf, contains all subsidiaries in which the parent company holds a direct or indirect majority of voting rights:

REALTECH System Consulting GmbH,  
Walldorf, Germany, 100%

REALTECH Sales GmbH, Walldorf, Germany,  
100%





DB-Online GmbH, Walldorf, Germany, 100%

LMC-LAN Management Consulting GmbH,  
Schweitenkirchen, Germany, 100%

GloBE Technology GmbH, Walldorf, Germany,  
100%

REALTECH Italia S.p.A., Agrate Brianza, Italy,  
100%

REALTECH System Consulting S.L., Madrid,  
Spain, 100%

REALTECH Portugal System Consulting  
Sociedade Unipessoal Lda, Lisbon, Portugal,  
100%

REALTECH Inc., Malvern, PA, USA, 100%

REALTECH Ltd., Auckland, New Zealand,  
100%

REALTECH System Consulting Pte. Ltd.,  
Singapore, 100%

REALTECH Japan Co., Ltd., Tokyo, Japan, 54.1%

The group of consolidated companies has not  
changed since December 31, 2005.

Of the German subsidiaries with the legal form of a corporation, REALTECH System Consulting GmbH, Walldorf, LMC-LAN Management Consulting GmbH, Schweitenkirchen, and REALTECH Sales GmbH, Walldorf fulfilled the requirements stipulated in Section 264 (3) of the German Commercial Code (Handelsgesetzbuch) for utilizing the exemption regulation. The company thus refrains from disclosing the annual financial statements.

### 3. Consolidation methods

The consolidated financial statements are based on annual financial statements that the companies included in the Group have prepared following the uniform IFRS rules. They

have been checked by independent auditors. In accordance with the IFRS specifications, initial consolidation is carried out at the time of purchase, while deconsolidation is carried out at the time of sale. The balance sheet dates of the companies included in the consolidated financial statements correspond to the Group's balance sheet date (December 31).

For the subsidiaries included, capital consolidation is carried out using the purchase method. The cost of the interests acquired is offset against the proportionate equity of the subsidiary at the time of purchase. Where no substantial differences exist between the fair value and the recognized value of assets and liabilities, remaining differences are recognized as goodwill under intangible assets in accordance with IFRS 3. Negative goodwill must be recognized in the income statement. For all companies initially consolidated before January 1, 2004, the updated values from consolidation in conjunction with US-GAAP accounting have been retained in accordance with IFRS 1.

Intercompany revenues, income and expenses, and receivables and payables are offset and intercompany profits are eliminated. The necessary deferred taxes are applied to the consolidation transactions.

### 4. Currency translation

The annual financial statements of the company's foreign subsidiaries are converted to euros in accordance with IAS 21 using the modified reporting date method and based on the concept of functional currency. As the subsidiaries conduct their operations autonomously from an organizational, financial, and economic viewpoint, the national currency in each case is identical to the functional currency.

Income and expenses are converted at average annual exchange rates, while assets and liabilities are converted using the mean rate on the balance sheet date. The resulting difference is offset against equity with no effect on profit or loss and is shown separately there.

## 5. Summary of significant accounting policies

### Intangible assets

Intangible assets are accounted for and measured in accordance with IAS 38, which stipulates that intangible assets acquired must be measured at cost less straight-line depreciation.

Intangible assets essentially comprise software and acquired goodwill. The regular useful life of software is three years.

In connection with the rules of IFRS 3, goodwill is accounted for based on the impairment only method and is subject to regular impairment tests.

The impairment tests are carried out for the defined cash generating units based on the rules of IAS 36 using the discounted cash flow method. The data from corporate planning, approved by management and the supervisory bodies, is used for this. This is based on a three-year period. Planning is based on the experience and results of past fiscal years, as well as on expectations regarding future market developments. As it is assumed that the acquired goodwill will be utilized in the long term, the last planning phase has been continued without a growth markup. The two segments of consulting and software are defined as cash generating units. The goodwill of EUR 4,315 thousand recognized on December 31, 2006 is made up of EUR 2,613 thousand from the consulting segment and EUR 1,702 thousand from the software segment.

### Tangible assets

Tangible assets are recognized at cost less usage-based depreciation. A useful life of between 3 and 10 years is defined for movable tangible assets. Buildings are subject to straight-line depreciation over 40 years.

Write-downs on tangible assets are carried out in accordance with IAS 36, as long as the recoverable amount of the asset is higher than the carrying amount. The recoverable amount of an asset is defined as the higher of its net realizable value and its value in use. If the reasons for carrying out write-downs in previous years have ceased to apply, the asset is written up accordingly.

### Leasing

Lessees are considered to be beneficial owners if all the risks and rewards incidental to ownership are substantially transferred by the terms of the finance lease (IAS 17). If beneficial ownership is attributable to the REALTECH Group, the assets are capitalized at the time the contract is signed – at fair value or at the lower present value of the minimum lease payments. Depreciation is carried out using the straight-line method in line with the economic life or over the shortened contract term.

The discounted payment obligations resulting from the leasing installments are treated as liabilities and presented under other liabilities.

Where operating leases exist in the REALTECH Group, leasing installments or rental payments are treated directly as an expense in the income statement.



### Receivables

Trade receivables are shown at the time the revenue is realized or consideration is rendered and are measured at amortized cost taking account of appropriate markdowns for all recognizable risks.

Receivables resulting from issuing software licenses are not accounted for until a signed contract with the customer exists, any rights of return that have been granted have expired, and the software has been provided in accordance with the contract.

Other receivables are measured at cost. They are written down to the respective market price.

item only includes highly liquid short-term financial investments which can be converted into certain cash amounts at any time and are only subject to insignificant value fluctuations.

The company classifies all current-asset securities as available for sale. These items are measured on the balance sheet date at market value, with value changes being offset against equity with no effect on profit or loss.

### Liabilities

Liabilities are carried at amortized cost. Liabilities resulting from finance leases are shown at the present value of the future leasing installments.

### Provisions

Provisions take account of all recognizable obligations to third parties in accordance with IAS 37. It must be possible to reliably estimate their extent and it must be more likely than unlikely that this will lead to an outflow of future resources. Provisions are only made for legal and constructive obligations to third parties.

No provisions are made for expenses because there is no external obligation in this case. The established provisions are assigned to current liabilities.

### Deferred taxes

Deferred taxes are recognized, in accordance with IAS 12, for all temporary differences between the carrying amounts in the consolidated balance sheet and the tax base of assets and liabilities, as well as for tax loss carryforwards.

Deferred tax assets for accounting and measurement differences as well as for tax loss carryforwards are only recognized if it is sufficiently probable that these differences will lead to the corresponding benefits in the future. Deferred tax assets and liabilities are set off against one another if the tax creditors are identical and the payment periods match.

### Use of estimates

A certain amount of estimates and assumptions are required in the consolidated financial statements. These affect the assets and liabilities carried on the balance sheet and the disclosure of income and expenses during the period under review. The actual amounts may differ from the estimates and assumptions.

### Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, bank balances and fixed-term deposits with terms of up to 3 months. The securities

### Revenues

The revenues of REALTECH AG essentially involve revenues from service contracts, from granting software licenses (usually for a limited period of time) and from the services closely related to this, as well as from maintenance revenues.

Service contracts for which customers are billed on the basis of the hours worked are accounted for depending on the services rendered by the REALTECH companies.

Revenues and expenses resulting from service contracts for which a fixed price has been agreed are accounted for based on the progress of the service (percentage of completion method, "PoC") in accordance with IAS 11 and IAS 18 – if the extent of the revenues can be measured reliably, it is sufficiently probable that the economic benefits associated with the transaction will flow to REALTECH AG, and the costs incurred for the transaction and the costs to complete the transaction can be determined reliably.

Revenues resulting from issuing licenses with no time restriction are not accounted for until a signed contract with the customer exists, any rights of return that have been granted have expired, the software has been provided in accordance with the contract, a price has been agreed or can be determined, and payment is sufficiently probable.

Revenues resulting from the maintenance business are accounted for proportionately over the period during which the service is rendered.

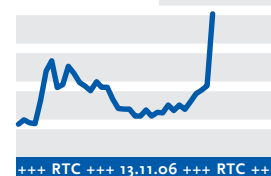
Revenues are presented less discounts, price reductions, and customer bonuses.

### Costs of revenues

Costs of revenues comprise full production-related costs on the basis of normal capacity utilization. Specifically, costs of revenues include individual costs that can be directly attributed to orders – essentially costs for personnel – as well as fixed and variable overheads, for instance depreciation.

### Research and development expenses

Research and development expenses are treated as an expense in the income statement when they are incurred. During the process of creating and further developing software, the research and development phases are closely connected. This makes it impossible to precisely distinguish between the expenses involved in the two phases. The criteria for capitalizing separate development expenses in accordance with IAS 38.57 in conjunction with IAS 38.53 are therefore not met.



## 6. Essential differences between IFRS/IAS accounting and accounting based on German commercial law

The accounting and measurement rules that are essentially different from those under German commercial law are as follows:

Goodwill is subject to a regular impairment test. It is no longer amortized.

Available-for-sale securities are measured at their fair value, even if this value exceeds the cost. Price gains and losses are recognized in the income statement.

Revenues from fixed-price projects are accounted for based on the percentage of completion.

Buildings are depreciated in line with their probable useful life, not based on tax scales.

Leasing agreements which meet the more restrictive requirements for financial leasing defined by IFRS are recognized in the balance sheet as an asset or leasing liability.

Provisions are only made for obligations to third parties if the probability of a claim being made is at least 50 percent. Medium-term and long-term provisions are recognized at their present value. No provisions are made for neglected maintenance or for expenditure.

According to IFRS there is a general obligation to recognize deferred taxes for all temporary differences between the tax values and the values recognized in the consolidated balance sheet, whereby quasi-permanent differences must also be classified as being temporary. When it comes to calculating deferred taxes, the tax rate that must be applied is that which will be valid in the future at the time when the tax deferral is likely to be reversed based on the legal situation in the various countries on the balance sheet date.

According to German commercial regulations, it is only obligatory to recognize the deferred tax liabilities and the deferred tax assets on consolidation measures. In the process, the deferred taxes are calculated based on the tax rates valid on the balance sheet date. It is not permissible to recognize deferred taxes for quasi-permanent differences between the values in the tax balance and the consolidated balance sheet which are only amortized over a longer period of time or when the asset is sold or liquidated.

According to IFRS, deferred tax assets must be accounted for on tax loss carryforwards provided that it is sufficiently probable that the future tax benefit will be realized.

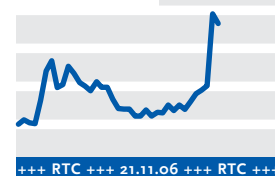
Monetary items in foreign currency are measured using the closing rate and recognized in the profit or loss for the period. As an exception to this rule, exchange differences from non-current intragroup items which constitute part of a net investment in a foreign company are recognized within equity with no effect on profit or loss.

Notes on the consolidated balance sheets  
and the consolidated statements of income

7. Fixed assets

Fixed assets changed as follows:

|  | Acquisition and manufacturing costs |            |            |                                  |               |
|--|-------------------------------------|------------|------------|----------------------------------|---------------|
|  | 01.01.2006                          | Additions  | Disposals  | Currency translation adjustments | 31.12.2006    |
|  | TEUR                                | TEUR       | TEUR       | TEUR                             | TEUR          |
| Concessions, industrial rights and similar rights and assets | 1.835                               | 70         | 0          | (1)                              | 1.904         |
| Goodwill   | 7.075                               | 0          | 0          | 0                                | 7.075         |
| <b>Intangible assets</b>                                     | <b>8.910</b>                        | <b>70</b>  | <b>0</b>   | <b>(1)</b>                       | <b>8.979</b>  |
| Property, plant and equipment                                | 9.996                               | 47         | 0          | (1)                              | 10.042        |
| Technical equipment and machines                             | 181                                 | 21         | 12         | (9)                              | 181           |
| Other equipment, and office equipment                        | 7.496                               | 554        | 142        | (46)                             | 7.862         |
| <b>Tangible assets</b>                                       | <b>17.673</b>                       | <b>622</b> | <b>154</b> | <b>(56)</b>                      | <b>18.085</b> |
| Interests in associates                                      | 21                                  | 21         | 6          | (1)                              | 35            |
| Securities   | 32                                  | 21         | 0          | 0                                | 53            |
| <b>Financial assets</b>                                      | <b>53</b>                           | <b>42</b>  | <b>6</b>   | <b>(1)</b>                       | <b>88</b>     |
|  | <b>26.636</b>                       | <b>734</b> | <b>160</b> | <b>(58)</b>                      | <b>27.152</b> |



|  | Accumulated depreciation |              |            |                                  | Net book values |               |               |
|--|--------------------------|--------------|------------|----------------------------------|-----------------|---------------|---------------|
|  | 01.01.2006               | Additions    | Disposals  | Currency translation adjustments | 31.12.2006      | 31.12.2006    | 31.12.2005    |
|  | TEUR                     | TEUR         | TEUR       | TEUR                             | TEUR            | TEUR          | TEUR          |
|  | 1.627                    | 115          | 0          | 0                                | 1.742           | 162           | 208           |
|  | 2.739                    | 0            | 0          | 0                                | 2.739           | 4.336         | 4.336         |
|  | <b>4.366</b>             | <b>115</b>   | <b>0</b>   | <b>0</b>                         | <b>4.481</b>    | <b>4.498</b>  | <b>4.544</b>  |
|  | 1.724                    | 316          | 0          | (1)                              | 2.039           | 8.003         | 8.272         |
|  | 106                      | 29           | 9          | (5)                              | 121             | 60            | 75            |
|  | 5.569                    | 944          | 108        | (35)                             | 6.370           | 1.492         | 1.927         |
|  | <b>7.399</b>             | <b>1.289</b> | <b>117</b> | <b>(41)</b>                      | <b>8.530</b>    | <b>9.555</b>  | <b>10.274</b> |
|  | 0                        | 0            | 0          | 0                                | 0               | 35            | 21            |
|  | 0                        | 0            | 0          | 0                                | 0               | 53            | 32            |
|  | 0                        | 0            | 0          | 0                                | 0               | 88            | 53            |
|  | <b>11.765</b>            | <b>1.404</b> | <b>117</b> | <b>(41)</b>                      | <b>13.011</b>   | <b>14.141</b> | <b>14.871</b> |

### 8. Interests in associates

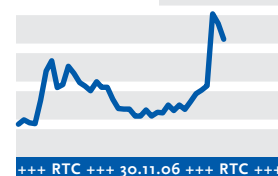
On December 31, 2006, REALTECH AG directly held interests of at least 20% in the following companies:

| Company name and location  | Share of capital | Equity on 31.12.2006 | Net income 2006 |
|--|------------------|----------------------|-----------------|
|  | %                | TEUR                 | TEUR            |
| REALTECH System Consulting GmbH, Walldorf, Germany                               | 100,0            | 26                   | <sup>1)</sup>   |
| REALTECH Sales GmbH, Walldorf, Germany   | 100,0            | 24                   | <sup>1)</sup>   |
| DB-Online GmbH, Walldorf, Germany  | 100,0            | 159                  | 2               |
| LMC-LAN Management Consulting GmbH, Schweitenkirchen, Germany                    | 100,0            | 39                   | <sup>1)</sup>   |
| GloBE Technology GmbH, Walldorf, Germany   | 100,0            | 234                  | 3               |
| REALTECH Italia S.p.A., Agrate Brianza, Italy                                    | 100,0            | 1.725                | (492)           |
| REALTECH System Consulting, S.L., Madrid, Spain                                  | 100,0            | 700                  | 277             |
| REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lissabon, Portugal | 100,0            | (23)                 | (44)            |
| REALTECH Inc., Malvern, PA, USA  | 100,0            | 97                   | 111             |
| Realtech Ltd., Auckland, New Zealand   | 100,0            | 592                  | 335             |
| REALTECH System Consulting Pte. Ltd., Singapore                                  | 100,0            | 86                   | 29              |
| REALTECH Japan Co., Ltd., Tokyo, Japan   | 54,1             | 806                  | 253             |

<sup>1)</sup> A profit and loss transfer agreement exists.

Delivery and service relationships exist between the associates.





### 9. Trade receivables

|                   | 31.12.2006    | 31.12.2005    |
|-------------------|---------------|---------------|
|                   | TEUR          | TEUR          |
| Trade receivables | 17.777        | 15.378        |
| Allowances        | 446           | 735           |
|                   | <b>17.331</b> | <b>14.643</b> |

The trade receivables are due in the short term. This also includes those from production orders. The allowances have been calculated based on past experience of payment defaults.

### 10. Other assets

|                                       | 31.12.2006 | 31.12.2005 |
|---------------------------------------|------------|------------|
|                                       | TEUR       | TEUR       |
| Advance wage and travel cost payments | 102        | 130        |
| Prepaid expenses                      | 258        | 244        |
| Saundry                               | 385        | 141        |
|                                       | <b>745</b> | <b>515</b> |

### 11. Securities

Excess funds are invested in part in interest-bearing securities, quoted in euros, with short-term or medium-term residual terms or in mutual funds that invest in such assets. The Group has therefore classified these securities as available for sale. There are no trading securities. The securities item is broken down as follows:

|                             | Market value<br>31.12.2006 | Unrealized<br>gain<br>2006 | Unrealized<br>loss<br>2006 |
|-----------------------------|----------------------------|----------------------------|----------------------------|
|                             | TEUR                       | TEUR                       | TEUR                       |
| Interest-bearing securities | 1.493                      | 188                        | 0                          |
| Mutual funds                | 13.531                     | 253                        | 0                          |
|                             | <b>15.024</b>              | <b>441</b>                 | <b>0</b>                   |

The Group's financial assets primarily comprise bank balances, trade receivables, and securities. The credit risk is limited in the case of liquid funds as these have been assigned a high credit rating by international rating agencies. The Group does not have a significant concentration of credit risks as the risks are spread among a large number of contract parties and customers.

## 12. Shareholders' Equity

### Subscribed capital

The number of no-par value shares issued as per December 31, 2006 amounted to 5,173,452. Each share has an accounting par value of EUR 1.27. As a result of the exercising of conversion rights granted as part of the company's various share-based remuneration programs, the number of shares increased by 81,000. The nominal value of subscribed capital increased accordingly by EUR 102,870.

### Authorized capital

The General Meeting of May 18, 2004 authorized the Executive Board to increase the share capital against cash and/or non-cash contributions by a total of up to EUR 3,233,707.02 before May 1, 2009 by issuing 2,546,226 no-par value shares (authorized capital). The Executive Board and Supervisory Board are authorized to exclude shareholders' subscription rights.

### Contingently issuable shares

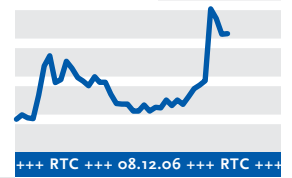
The General Meeting of May 22, 2000 resolved a conditional capital increase in the amount of EUR 571,500.00 for the purpose of granting options to subscribe to a total of 450,000 no-par value shares on one or more occasions up until May 22, 2005. Please also refer to the section on the Stock Option Plan.

For the purpose of granting shares to the holders of convertible and/or warrant-linked bonds, the General Meeting on May 16, 2002 decided to implement a conditional capital increase of up to EUR 2,598,707.02 by issuing up to 2,046,226 new shares by May 15, 2007. Please also refer to the section on the Convertible Bond Program.

### Share-based remuneration

REALTECH AG has set up various stock option and convertible bond programs for Executive Board members, senior executives, and other employees in the Group. The expense recorded for services during fiscal year 2006 is EUR 170 thousand (previous year: EUR 0 thousand). This concerns expenses resulting from share-based remuneration transactions with compensation through equity instruments in accordance with IFRS 2.

The assessment is based on an expected volatility of 25.90%. It is assumed that future trends can be derived from historical volatility values, whereby the actual volatility may differ from the assumptions made here. The calculation is based on the Black Scholes formula, applying a risk-free interest rate of 3.93%. The anticipated term of these options is five years. The exercise price is EUR 8.80.



### Convertible bond program

The conditional capital increase resolved by the General Meeting on May 16, 2002 to issue convertible and/or warrant-linked bonds also entails bonds being issued to company employees and managers – apart from the group of four founding shareholders – as well as to employees and members of the executive boards of companies associated with the company in accordance with Section 15 of the German Stock Corporation Act (Aktiengesetz, AktG).

In fiscal years 2002 to 2006, convertible bonds were issued with the following conditions:

|  | 2002       | 2003       | 2004       | 2005       | 2006       |
|--|------------|------------|------------|------------|------------|
| Issue date                               | 31.07.2002 | 31.07.2003 | 31.07.2004 | 18.07.2005 | 31.07.2006 |
| Face value                               | EUR 1,00   | EUR 1,00   | EUR 1,00   | EUR 1,00   | EUR 1,00   |
| Total face value of the convertible bond | EUR 1.000  | EUR 100    | EUR 1.000  | EUR 450    | EUR 3.000  |
| Term                                     | 30.07.2007 | 30.07.2008 | 30.07.2009 | 17.07.2010 | 30.07.2011 |
| Interest p.a.                            | 6,0 %      | 6,0 %      | 5,0 %      | 5,0 %      | 5,0 %      |
| Exercise price                           | EUR 5,12   | EUR 5,89   | EUR 7,00   | EUR 6,97   | EUR 8,80   |
| Issued options                           | 100.000    | 10.000     | 100.000    | 45.000     | 300.000    |
| Earliest time of conversion              | 31.07.2004 | 31.07.2005 | 31.07.2006 | 18.07.2007 | 31.07.2008 |
| Latest time of conversion                | 30.07.2007 | 30.07.2008 | 30.07.2009 | 17.07.2010 | 30.07.2011 |

### Issued options

The following table summarizes information concerning the company's stock options and convertible bonds as of December 31, 2006:

| Year of issue | Outstanding options |                       | Exercisable options |                       |
|---------------|---------------------|-----------------------|---------------------|-----------------------|
|               | Number              | Exercise price in EUR | Number              | Exercise price in EUR |
| 2002          | 25.000              | 5,12                  | 25.000              | 5,12                  |
| 2003          | 10.000              | 5,89                  | 7.000               | 5,89                  |
| 2004          | 79.000              | 7,00                  | 19.000              | 7,00                  |
| 2005          | 45.000              | 6,97                  | -                   | -                     |
| 2006          | 300.000             | 8,80                  | -                   | -                     |
|               | <b>459.000</b>      |                       | <b>51.000</b>       |                       |

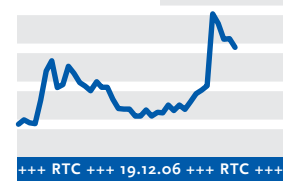
### Development during the fiscal year

The following table indicates the number, weighted average exercise prices (WAEP) and development of the stock options and convertible bonds over the course of the fiscal year.

|  | 2006    |          | 2005    |          |
|--|---------|----------|---------|----------|
|  | Number  | WAEP EUR | Number  | WAEP EUR |
| Outstanding at the beginning of the reporting period | 374.506 | 6,44     | 418.258 | 17,45    |
| Issued in the reporting period                       | 300.000 | 8,80     | 45.000  | 6,97     |
| Exercised in the reporting period                    | 81.000  | 5,61     | 0       | -        |
| Expired in the reporting period                      | 134.506 | 10,69    | 88.752  | 52,59    |
| Outstanding at the end of the reporting period       | 459.000 | 8,05     | 374.506 | 6,44     |
| Exercisable at the end of the reporting period       | 51.000  | 5,93     | 177.006 | 6,40     |

### 13. Minority interests

The minority interests refer to a holding of 45.9% in REALTECH Japan Co., Ltd., Tokyo, Japan, which was founded in collaboration with Nihon Unisys and Microsoft Japan in 2002 and has been fully consolidated since January 1, 2005.



#### 14. Income taxes

The income taxes item shown in the income statement concerns the following:

|                            | 2006         | 2005         |
|----------------------------|--------------|--------------|
|                            | TEUR         | TEUR         |
| Current tax expense        | 1.745        | 900          |
| Deferred tax expense (net) | 435          | 319          |
| <b>Tax expense</b>         | <b>2.180</b> | <b>1.219</b> |

The Group's income taxes are reconciled in the following table. The corporation tax rate to be applied amounts to 25% plus the solidarity surcharge of 5,5%. The Group must also make trade tax payments in the amount of 13,5%. This amounts to an expected income tax liability of 39,9%.

|  | 2006         | 2005         |
|--|--------------|--------------|
|  | TEUR         | TEUR         |
| Expected tax expense                                   | 1.675        | 957          |
| IRAP (Italy)   | 459          | 392          |
| Tax rate difference/measurement differences (domestic) | 0            | (93)         |
| Tax rate difference/measurement differences (abroad)   | 46           | (37)         |
| <b>Tax expense</b>                                     | <b>2.180</b> | <b>1.219</b> |

The tax provisions of EUR 919 thousand (previous year: EUR 993 thousand) exclusively involve current income taxes payable.

The amount of taxes receivable of EUR 206 thousand (previous year: EUR 454 thousand) represents total current income taxes receivable.

Deferred tax assets and liabilities are offset if they concern the same taxation authority.

Accordingly, they are shown in the balance sheet as follows:

|   | 31.12.2006 | 31.12.2005 |
|---|------------|------------|
|   | TEUR       | TEUR       |
| Deferred taxes receivable (deferred tax assets) | 517        | 879        |
| Taxes payable (deferred tax liabilities)        | 817        | 636        |

The deferred taxes must be assigned to the various balance sheet items as follows:

|                            | 31.12.2006 | 31.12.2005 |
|----------------------------|------------|------------|
|                            | TEUR       | TEUR       |
| Tax loss carryforwards     | 98         | 465        |
| Goodwill                   | 304        | 414        |
| Other provisions           | 80         | 0          |
| Others                     | 35         | 0          |
| <b>Deferred tax assets</b> | <b>517</b> | <b>879</b> |

Deferred tax assets result from losses carried forward in Italy and Portugal, the tax effect of which has been capitalized, as well as from differences in measuring goodwill.

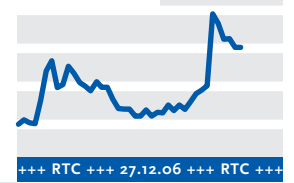
|                                 | 31.12.2006 | 31.12.2005 |
|---------------------------------|------------|------------|
|                                 | TEUR       | TEUR       |
| Fixed assets                    | 502        | 485        |
| Securities                      | 265        | 151        |
| Production orders               | 50         | 0          |
| <b>Deferred tax liabilities</b> | <b>817</b> | <b>636</b> |

Deferred tax liabilities are essentially based on differences in the measurement of property, plant, and equipment, especially in the case of buildings.

## 15. Provisions

Provisions changed as follows in fiscal year 2006:

|                                   | 01.01.2006   | Usage/<br>write-back | Allocation   | 31.12.2006   |
|-----------------------------------|--------------|----------------------|--------------|--------------|
|                                   | TEUR         | TEUR                 | TEUR         | TEUR         |
| Provisions for employees          | 2.595        | 1.362                | 1.324        | 2.557        |
| Vacation provisions               | 2.015        | 1.446                | 1.220        | 1.789        |
| Bonuses and revenue participation | 1.884        | 1.884                | 2.919        | 2.919        |
| Legal and consulting charges      | 209          | 200                  | 221          | 230          |
| Outstanding incoming invoices     | 293          | 158                  | 185          | 320          |
| Salaries and severance payments   | 171          | 171                  | 214          | 214          |
| Others                            | 257          | 132                  | 112          | 237          |
|                                   | <b>7.424</b> | <b>5.353</b>         | <b>6.195</b> | <b>8.266</b> |



In accordance with legal regulations, a provision in the amount of EUR 1,734 thousand has been established in the provisions for employees (previous year: EUR 1,779 thousand). The provision is measured in the amount of one month's wages per year of employment.

## 16. Liabilities

The residual terms and collateralization of liabilities can be seen in the following overview:

|                                     | Residual Term                |                                 | Total amount<br>31.12.2006 | Type of collateralization | 31.12.2005   |
|-------------------------------------|------------------------------|---------------------------------|----------------------------|---------------------------|--------------|
|                                     | Up to one year<br>31.12.2006 | More than 5 years<br>31.12.2006 |                            |                           |              |
|                                     | TEUR                         | TEUR                            | TEUR                       |                           | TEUR         |
| Trade payables                      | 1.768                        | -                               | 1.768                      | Usual retention of title  | 1.610        |
| Other liabilities                   | 2.145                        | -                               | 2.145                      | -                         | 1.921        |
| - in the context of social security | 124                          | -                               | 124                        | -                         | 412          |
|                                     | <b>3.913</b>                 | -                               | <b>3.913</b>               | -                         | <b>3.531</b> |

Other liabilities include sales tax, withholding tax, and wage tax liabilities in the amount of EUR 1,497 thousand (previous year: EUR 1,326 thousand).

## 17. Deferred income

The deferred income essentially involves software maintenance contracts. The average term of contracts is 12 months.

## 18. Revenues

The revenues item shows the fees charged to customers for deliveries and services – minus sales deductions and discounts. The breakdown of revenues by business areas is determined from segment reporting.

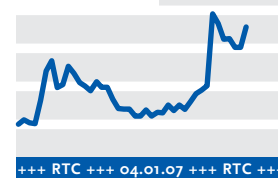
## 19. Segment reporting

Segment reporting at the REALTECH Group is carried out in accordance with IAS 14. Segmentation is carried out for the purpose of internal Group control and reporting, in accordance with the products and services it offers. These financial statements define the consulting and software business segments as the primary report format for segment reporting.

The figures in the following overviews have been taken from internal reporting, used by the company's essential decision-makers for management purposes.

|   | Consulting    |               | Software      |               |
|---|---------------|---------------|---------------|---------------|
|   | 31.12.2006    | 31.12.2005    | 31.12.2006    | 31.12.2005    |
|   | TEUR          | TEUR          | TEUR          | TEUR          |
| <b>External revenue</b>                             | <b>42.948</b> | <b>39.773</b> | <b>11.432</b> | <b>10.274</b> |
| Segment income                                      | 1.770         | 1.805         | 1.381         | (869)         |
| Unallocated expenses and income                     |               |               |               |               |
| <b>Income from operations</b>                       |               |               |               |               |
| Interest expense                                    |               |               |               |               |
| Interest  |               |               |               |               |
| Net income from associates                          |               |               |               |               |
| Income from financial investments and securities    |               |               |               |               |
| Current income                                      |               |               |               |               |
| <b>Income before taxes (and minority interests)</b> |               |               |               |               |
| Income taxes  |               |               |               |               |
| Minority interests                                  |               |               |               |               |
| <b>Net income</b>                                   |               |               |               |               |
| Segment assets                                      | 19.050        | 19.502        | 8.287         | 8.488         |
| Unallocated corporate assets                        |               |               |               |               |
| <b>Consolidated assets</b>                          |               |               |               |               |
| Segment liabilities                                 | 11.158        | 9.727         | 2.966         | 2.586         |
| Unallocated liabilities                             |               |               |               |               |
| <b>Consolidated liabilities</b>                     |               |               |               |               |
| Investments   | 502           | 898           | 133           | 239           |
| Depreciation  | 1.077         | 1.131         | 286           | 301           |
| Non- cash expenses other than depreciation          | 378           | 903           | 100           | 240           |





| Total         |               | Group         |               |
|---------------|---------------|---------------|---------------|
| 31.12.2006    | 31.12.2005    | 31.12.2006    | 31.12.2005    |
| TEUR          | TEUR          | TEUR          | TEUR          |
| <b>54.380</b> | <b>50.047</b> | <b>54.380</b> | <b>50.047</b> |
| 3.151         | 936           | 3.151         | 936           |
|               |               | 580           | 752           |
|               |               | <b>3.731</b>  | <b>1.688</b>  |
|               |               | 7             | 7             |
|               |               | 464           | 387           |
|               |               | 0             | 122           |
|               |               | 102           | 132           |
|               |               | (91)          | 76            |
|               |               | <b>4.199</b>  | <b>2.398</b>  |
|               |               | 2.180         | 1.219         |
|               |               | (117)         | (68)          |
|               |               | <b>1.902</b>  | <b>1.110</b>  |
| 27.337        | 27.990        | 27.337        | 27.990        |
|               |               | 32.783        | 28.684        |
|               |               | <b>60.120</b> | <b>56.674</b> |
| 14.124        | 12.313        | 14.124        | 12.313        |
|               |               | 817           | 637           |
|               |               | <b>14.941</b> | <b>12.950</b> |
| 635           | 1.137         | 635           | 1.137         |
| 1.363         | 1.432         | 1.363         | 1.432         |
| 478           | 1.143         | 478           | 1.143         |

## Secondary segment information

|                | External sales |               | Carrying amount<br>Segment assets |               | Investments in intangi-<br>ble assets and property,<br>plant and equipment |              |
|----------------|----------------|---------------|-----------------------------------|---------------|--|--------------|
|                | 31.12.2006     | 31.12.2005    | 31.12.2006                        | 31.12.2005    | 31.12.2006   | 31.12.2005   |
|                | TEUR           | TEUR          | TEUR                              | TEUR          | TEUR   | TEUR         |
| Germany        | 23.079         | 21.653        | 43.107                            | 40.200        | 349  | 843          |
| Rest of Europe | 22.263         | 21.058        | 12.808                            | 13.296        | 230  | 168          |
| USA            | 3.389          | 2.483         | 1.173                             | 842           | 24   | 10           |
| Asia-Pacific   | 5.649          | 4.853         | 3.032                             | 2.336         | 32   | 116          |
|                | <b>54.380</b>  | <b>50.047</b> | <b>60.120</b>                     | <b>56.674</b> | <b>635</b>   | <b>1.137</b> |

**20. Other operating expenses**

This item essentially contains expenses for rent and leasing.

**21. Other operating income**

The other operating income particularly involves rental income.

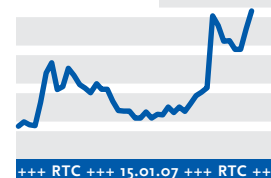
**22. Net interest**

Net interest essentially consists of interest income for fixed-term deposits and interest-bearing securities. Interest income amounted to EUR 464 thousand. Interest expense was EUR 7 thousand.

**Other information****23. Consolidated statements of cash flows**

The consolidated statements of cash flows is prepared in accordance with IAS 7 and, separated into cash inflows and outflows, shows the development of cash flows generated from operating, investing, and financing activities. The cash flow is determined, using the indirect method, from the consolidated financial statements of REALTECH AG.

The cash involved in the consolidated statements of cash flows comprises all cash and cash equivalents presented in the balance sheets, i.e. cash in hand, checks, and bank balances (provided they are available within three months). The cash is not subject to any restrictions.



#### 24. Earnings per share

According to IAS 33, earnings per share are determined from the consolidated earnings after tax and the average number of outstanding shares during the year. The option program in 2001 and the convertible bond programs in 2002 to 2006 gave rise to the following dilution effects on December 31, 2005 and on December 31, 2006:

|  | 31.12.2006       | 31.12.2005       |
|--|------------------|------------------|
| Net income                                     | EUR 1.902.409    | EUR 1.110.399    |
| Average number of shares outstanding – basic   | 5.173.452 Shares | 5.092.452 Shares |
| Average number of shares outstanding – diluted | 5.632.452 Shares | 5.312.452 Shares |
| Earnings per share – basic                     | EUR 0,37         | EUR 0,22         |
| Earnings per share – diluted                   | EUR 0,34         | EUR 0,21         |

The dilution effect is essentially due to the conversion rights for bonds.

#### 25. Other financial obligations

There are other financial obligations arising from rent and leasing agreements. These obligations are presented in the following overview:

|                          | TEUR          |
|--------------------------|---------------|
| 2007                     | 2.637         |
| 2008                     | 2.192         |
| 2009                     | 1.690         |
| 2010                     | 1.262         |
| 2011                     | 1.276         |
| 2012 and following years | 3.794         |
|                          | <b>12.851</b> |

Rental and leasing expenses were EUR 1,815 thousand in the year under review (previous year: EUR 1,998 thousand). Please refer to point 26, "Special-purpose entity".

## 26. Special-purpose entity

The second part of REALTECH's administrative building in Walldorf, the property in Industrie-strasse 41, was constructed by PUDU Grundstücker-Vermietungsgesellschaft mbH & Co. Objekt Walldorf KG, Düsseldorf. As part of a property leasing agreement, REALTECH has rented the building for a period of 15 years. The rental period began on June 1, 2002. The company has a right to acquire the building. PUDU Grundstücker-Vermietungsgesellschaft is a special-purpose entity as defined by SIC 12.

As a result of applying the interpretation to this company, the REALTECH Group is not considered to be the company's primary beneficiary. The Group's obligations in connection with the leasing agreement are part of the minimum rent payments from leasing agreements listed under "Other financial obligations". These amount to EUR 7,281 thousand from December 31, 2006 up to the end of the term of the agreement. No other obligations or risks of loss result from the leasing agreement with PUDU Grundstücker-Vermietungsgesellschaft.

### Richard Roy (Deputy Chairman)

Management consultant

Vice President of the Supervisory Board of Swisscom AG, Bern/Switzerland  
Supervisory Board (Chairman) of Balda AG, Bad Oeynhausen  
Supervisory Board (Deputy Chairman) of Premiere AG, Unterföhring  
Supervisory Board of Update AG, Vienna/Austria

### Norbert Schwerber

Auditor and tax advisor

Supervisory Board (Chairman) of Nieding + Barth Rechtsanwaltsaktiengesellschaft, Frankfurt  
Supervisory Board (Chairman) of VEDACON AG, Montabaur  
Supervisory Board (Chairman) of Systaic AG, Büttelborn  
Supervisory Board of b.i.s. börsen-informations-systeme AG, Rimpf  
Supervisory Board of Cosmetic Service AG, Eppertshausen  
Supervisory Board of Zoffel/Steiger/Holding AG, Wiesbaden  
Advisory Board of Hugo Görner GmbH, Aalen, as of December 31, 2006

## 27. Bodies of the company

### Supervisory Board

#### Dieter Matheis (Chairman)

Management consultant

Supervisory Board (Chairman) of SAPERION AG, Berlin  
Supervisory Board (Chairman) of SNP Schneider-Neureither & Partner AG, Heidelberg  
Supervisory Board of Heiler Software AG, Stuttgart  
Supervisory Board (Chairman) of Cybio AG, Jena, as of September 30, 2006  
Supervisory Board of Catenic AG, Bad Tölz, as of November 2, 2006

### Executive Board

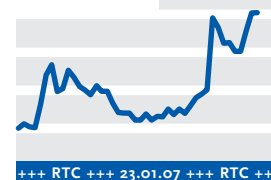
#### Nicola Glowinski (Chairman)

Dr. Rudolf Caspary (technology)

Resigned from the Executive Board:  
Jürgen Zahn (finance), on January 31, 2007

## 28. Remuneration of the Executive and Supervisory Boards

Remuneration received by the Executive Board in fiscal year 2006 totaled EUR 1,852 thousand (compared to EUR 1,213 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 525 thousand (previous year: EUR 803 thousand), while variable remuneration totaled EUR 1,069 thousand (previous year: EUR 410 thousand) and share-based remuneration was EUR 258 thousand. A total of 150,000 options were granted



in fiscal year 2006 (previous year: 45,000) at an exercise price of EUR 8.80 (previous year: EUR 6.97).

Remuneration received by the Supervisory Board in fiscal year 2006 totaled EUR 138 thousand (previous year: EUR 65 thousand). No variable remuneration was paid. No consulting services were provided in the year under review (previous year: EUR 2 thousand).

#### 29. Directors' dealings

Changes in numbers of REALTECH stock options and convertible bonds held by members of the Executive Board of REALTECH AG in fiscal year 2006 can be seen in the following table:

|                             | Dr. Rudolf Caspary | Nicola Glowinski | Jürgen Zahn   |
|-----------------------------|--------------------|------------------|---------------|
| On January 1, 2006          | 45.750             | 55.000           | 30.000        |
| Additions                   | 40.000             | 70.000           | 40.000        |
| Disposals                   | 24.750             | 22.000           | 0             |
| <b>On December 31, 2006</b> | <b>61.000</b>      | <b>103.000</b>   | <b>70.000</b> |

Changes in numbers of REALTECH shares held by members of the Executive Board of REALTECH AG in fiscal year 2006 can be seen in the following table:

|                             | Dr. Rudolf Caspary | Nicola Glowinski | Jürgen Zahn |
|-----------------------------|--------------------|------------------|-------------|
| On January 1, 2006          | 0                  | 0                | 0           |
| Additions                   | 19.000             | 22.000           | 0           |
| Disposals                   | 4.000              | 0                | 0           |
| <b>On December 31, 2006</b> | <b>15.000</b>      | <b>22.000</b>    | <b>0</b>    |

As in the previous year, the members of the Supervisory Board did not hold any REALTECH shares or REALTECH stock options or convertible bonds in fiscal year 2006.

**30. Related party disclosures**

According to IAS 24, individuals or companies which control the REALTECH Group or are controlled by the Group must be disclosed if they are not already included in REALTECH AG's consolidated financial statements as a consolidated company. Control is considered to exist if a shareholder holds more than half of voting rights in REALTECH AG or if, in accordance with provisions in the Articles of Association or contractual agreements, is able to steer the financial and business policies of REALTECH AG's management.

In addition, the disclosure obligation according to IAS 24 covers transactions with associates and with individuals who exercise a significant influence over the financial and operational decisions of the REALTECH Group, including close family members and intermediary companies.

Here, a significant influence over the financial and business policies of the REALTECH Group may be based on an interest in REALTECH AG of 20% or more, a place on the Supervisory Board or Executive Board of REALTECH AG, or some other key management position.

In fiscal year 2006, no companies of the REALTECH Group performed transactions that require reporting with members of the Supervisory or Executive Boards of REALTECH AG or with other members of management in key positions or companies in which these individuals are represented on management or supervisory committees. This is also true of the close family of this group of individuals.

**31. Employees**

The REALTECH Group counted a total of 571 employees on December 31, 2006, while the figure on December 31, 2005 was 535. As an annual average, the company employed 555 people in 2006, and 543 the previous year.

**32. Auditor fees in accordance with Section 314 paragraph 1 no. 9 of the German Commercial Code (Handelsgesetzbuch, HGB)**

The auditor fees for the individual and consolidated financial statements of REALTECH AG amounted to EUR 57 thousand (previous year: EUR 55 thousand).

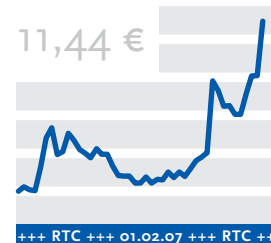
**33. Data in accordance with Section 160 paragraph 1 no. 8 of the Stock Corporation Act (Aktiengesetz, AktG)**

No reports on the existence of interests were submitted to REALTECH AG in fiscal year 2006.

**34. Declaration with respect to the German Corporate Governance Code in accordance with Section 161 of the Stock Corporation Act**

On November 30, 2006 the Executive and Supervisory Boards submitted their fourth compliance declaration in accordance with Section 161 of the Stock Corporation Act and made it permanently available to shareholders on the company's Web site.

Walldorf, February 20, 2007  
REALTECH AG  
The Executive Board



+++ RTC +++ 01.02.07 +++ RTC +++

## Auditors' Opinion

We have audited the consolidated financial statements prepared by the REALTECH AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2006 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, Paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the

consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a, Paragraph 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) and full IFRS and give the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Heidelberg, February 20, 2007

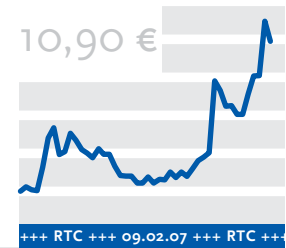
Grant Thornton GmbH  
Wirtschaftsprüfungsgesellschaft

|                   |                   |
|-------------------|-------------------|
| Gerstlauer        | Appel             |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

## Balance Sheets

|   | 31.12.2006           | 31.12.2005           |
|---|----------------------|----------------------|
| ASSETS  | EUR                  | EUR                  |
| <b>Fixed assets</b>   |                      |                      |
| <b>Intangible assets</b>  |                      |                      |
| Concessions, industrial rights and similar rights and assets                      | 45.626,00            | 66.407,00            |
| <b>Tangible assets</b>  |                      |                      |
| Other equipment and office equipment  | 17.458,00            | 17.009,00            |
| <b>Financial assets</b>   |                      |                      |
| Investments in affiliated companies   | 27.570.041,72        | 27.570.041,72        |
| Loans to affiliated companies   | 2.915.000,00         | 2.715.000,00         |
| <b>Current assets</b>   |                      |                      |
| <b>Receivables and other assets</b>   |                      |                      |
| Receivables due from related parties  | 13.783.612,22        | 11.363.920,78        |
| Other assets  | 11.540,86            | 0,00                 |
| <b>Securities</b>   | 14.553.547,00        | 16.284.136,38        |
| <b>Cash and cash equivalents</b>  | 9.145.546,36         | 6.793.228,82         |
| <b>Prepaid expenses</b>   | 27.761,98            | 33.665,53            |
| <b>Total assets</b>   | <b>68.070.134,14</b> | <b>64.843.409,23</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>                                       |                      |                      |
| <b>Shareholders' equity</b>   |                      |                      |
| Subscribed capital<br>(authorized capital EUR 3.130.837,02; py: EUR 3.233.707,02) | 6.570.284,04         | 6.467.414,04         |
| Additional paid-in-capital  | 55.966.297,69        | 55.614.967,69        |
| Retained earnings   | 3.177.137,26         | 1.049.527,79         |
| <b>Provisions</b>   |                      |                      |
| Income tax payable  | 209.356,10           | 261.450,95           |
| Other provisions  | 1.135.553,00         | 718.827,37           |
| <b>Liabilities</b>  |                      |                      |
| Convertible bonds   | 4.590,00             | 2.550,00             |
| Trade accounts payable  | 35.619,32            | 45.398,03            |
| Accounts payable to affiliated companies  | 458.696,75           | 397.907,48           |
| Other liabilities   | 512.599,98           | 285.365,88           |
| <b>Total liabilities and shareholders' equity</b>                                 | <b>68.070.134,14</b> | <b>64.843.409,23</b> |





## REALTECH AG

### Statements of Income

|   | 2006                | 2005                |
|---|---------------------|---------------------|
|   | EUR                 | EUR                 |
| Other operating income                                  | 196.368,31          | 377.626,79          |
| Personnel expenses                                      |                     |                     |
| a) Wages and salaries                                   | 2.246.996,79        | 1.831.713,60        |
| b) Social security and retirement costs                 | 179.047,51          | 185.063,33          |
| Depreciation of intangible and fixed assets             | 31.069,10           | 36.799,70           |
| Other operating expenses                                | 1.325.677,47        | 975.187,86          |
| Income from investments                                 | 5.354.000,71        | 3.817.895,91        |
| Income from the transfer of profits                     | 1.150.000,00        | 0,00                |
| Expenses due to the transfer of losses                  | 891,63              | 1.411,05            |
| Interest income   | 564.447,94          | 484.384,29          |
| Depreciation of financial assets and current securities | 4.394,78            | 187.759,00          |
| Interest expenses                                       | 9.397,43            | 9.621,10            |
| <b>Income from ordinary activities</b>                  | <b>3.467.342,25</b> | <b>1.452.351,35</b> |
| Income taxes  | 830.446,90          | 390.241,15          |
| Other taxes   | 40,68               | 12.582,41           |
| <b>Net income</b>                                       | <b>2.636.854,67</b> | <b>1.049.527,79</b> |
| Accumulated profit carried forward                      | 540.282,59          | 0,00                |
| <b>Retained earnings</b>                                | <b>3.177.137,26</b> | <b>1.049.527,79</b> |

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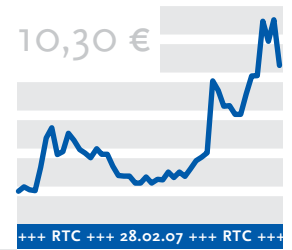
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## Financial Calendar 2007

**May 3, 2007**

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**May 22, 2007**

General Meeting,  
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**August 2, 2007**

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