

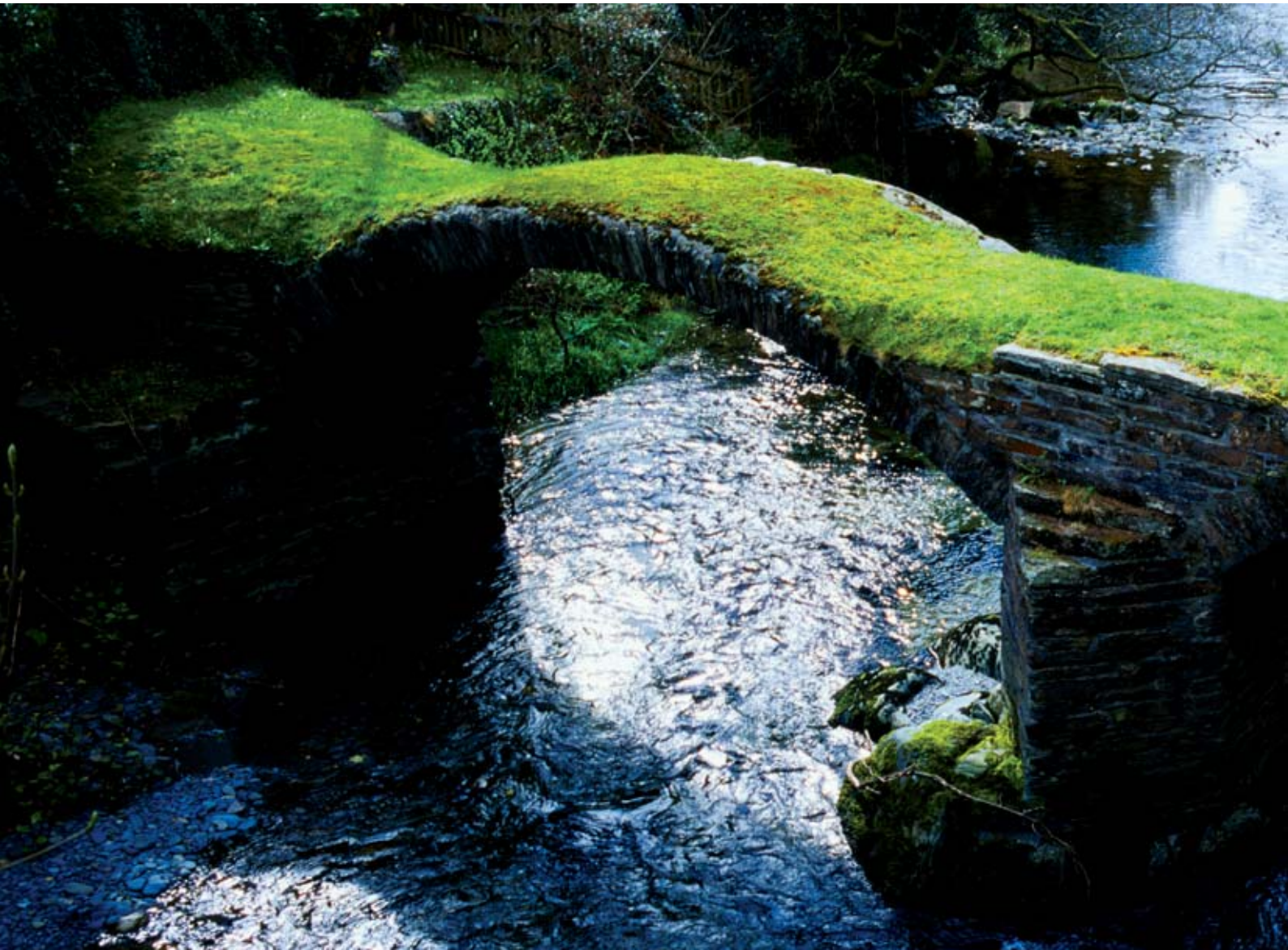


Annual Report |

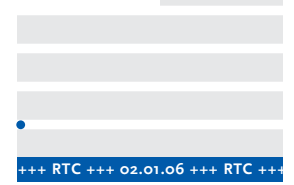
2006



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

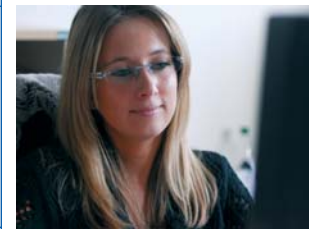
One aspect that is especially pleasing is that we expanded our business in fiscal year 2006 on both a national and an international level. Each of the four REALTECH regions increased its revenue and profit. We now record 58 percent of our revenues outside of our original core market of Germany. Particular 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

Report of the Supervisory Board



8,30 €



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

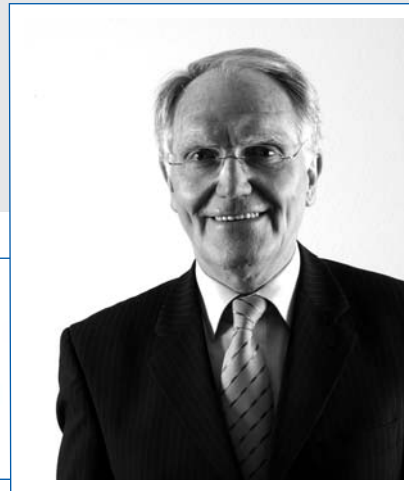


Wise words are the most splendid bridge to success.

German saying

Report of the Supervisory Board

Dieter Matheis
Chairman



Dear shareholders,

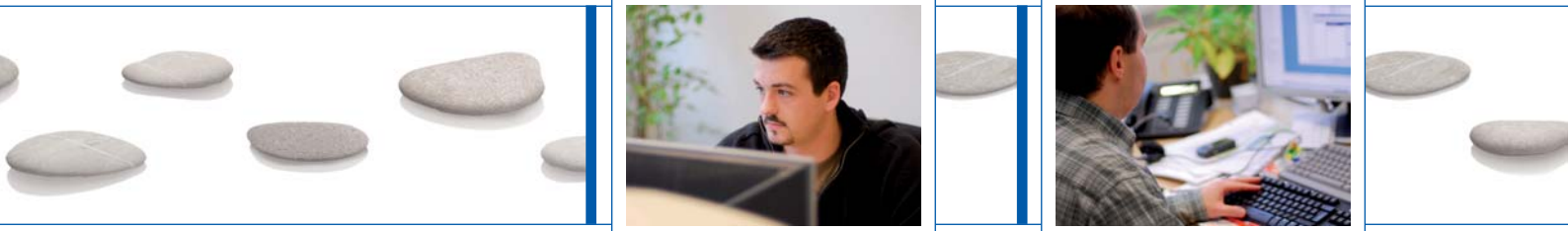
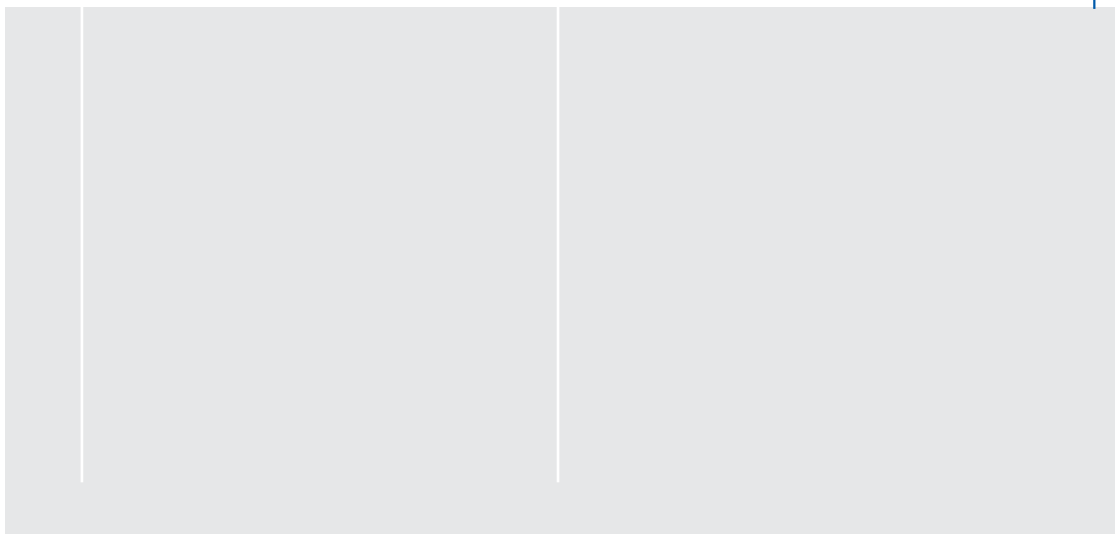
Collaboration between the Supervisory Board and the Executive Board is characterized by intense and regular communication. Both bodies of the company extended this dialog over the past fiscal year, thus not only establishing excellent collaboration but also acting in accordance with the German Corporate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

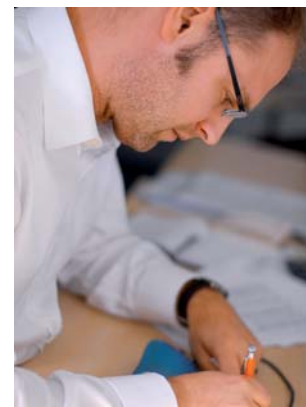
The same applies for the IFRS/IAS consolidated financial statements, to which a group management report has been added. These



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