



Annual Report |

2006



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

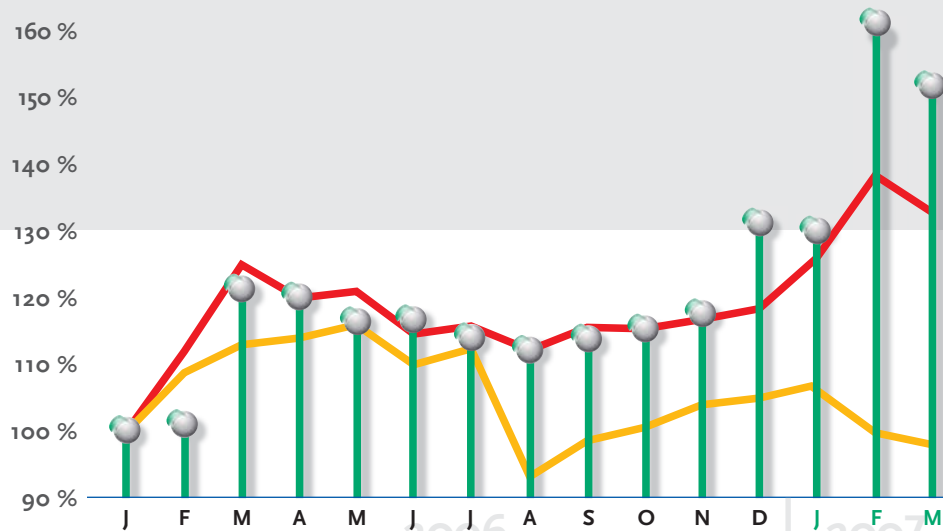
Everyone praises the bridge that got them across.

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.

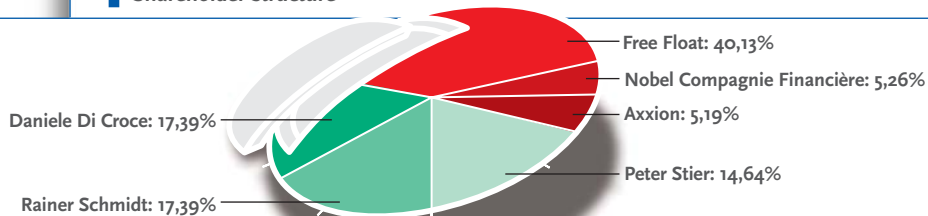
Shareholder structure and trading volume

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 €

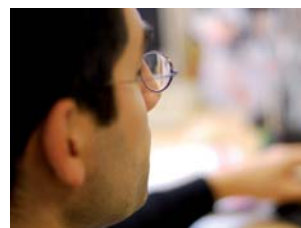
Shares



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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

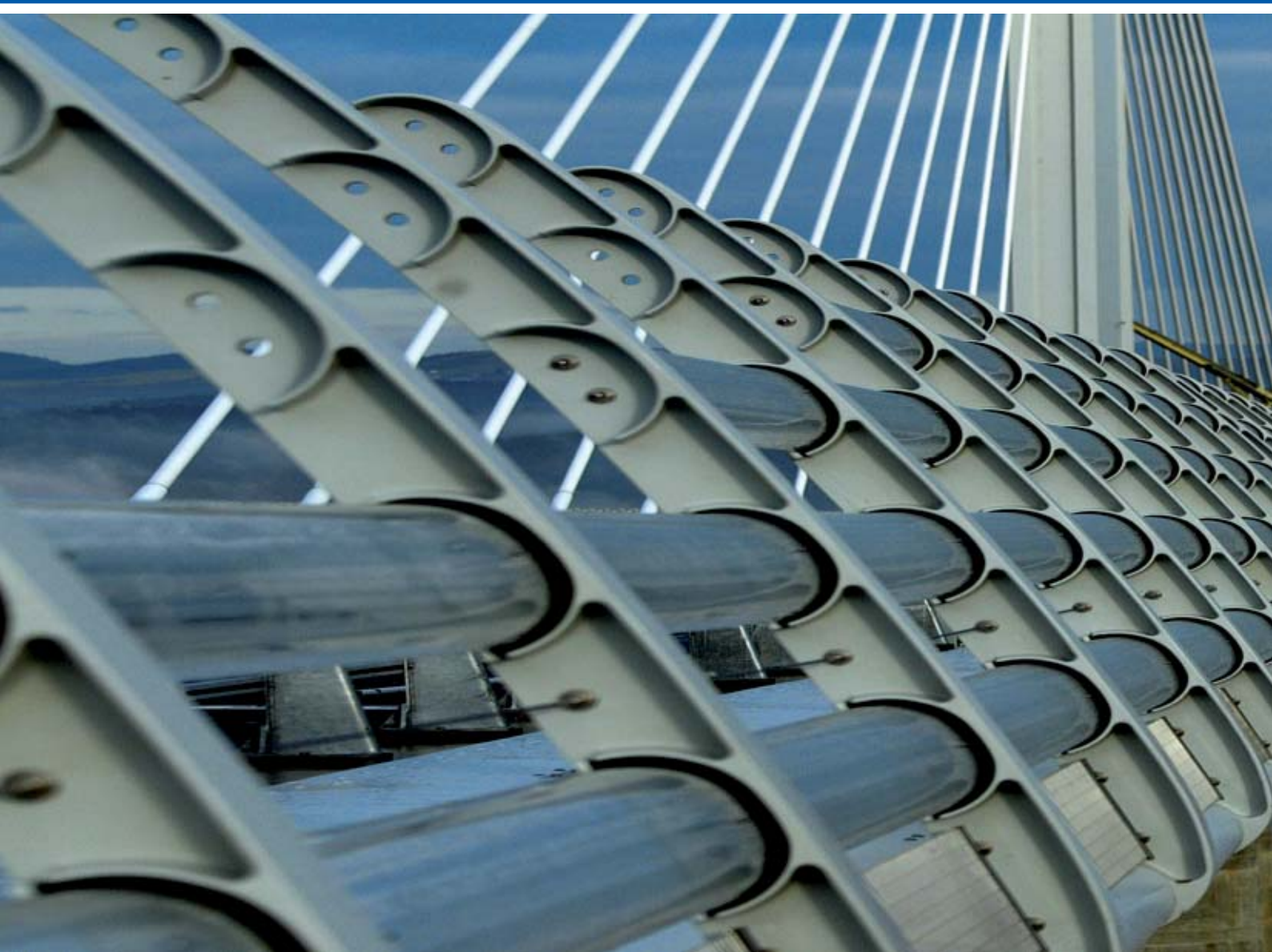
Executive Board

Dr. Rudolf Caspary	61.000 stock options, 15.000 shares
Nicola Glowinski	103.000 stock options, 22.000 shares
Jürgen Zahn	70.000 stock options

Supervisory Board

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

Corporate Governance



7,95 €



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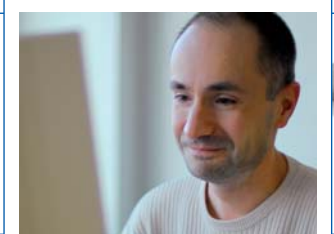
Viaduc de Millau spanning the valley of the River Tarn, Massif Central, France; at 342 meters; this bridge is currently the highest bridge in the world and prevents regular kilometer-long traffic jams.



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.

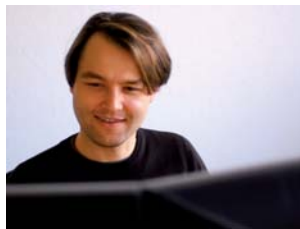
In the context of the company's financial statements, the Supervisory Board reports to shareholders. This body is free to organize committees to focus on specific issues. Based on a



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, 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.



ples (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 March 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:



“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.

