





GOALS FOR THE BUSINESS YEAR 2007 BY THE RCM BETEILIGUNGS AG GROUP

Status as per March 2007:	
Registered Investment Volumes (After Costs for Acquisition and Renovation)	ca. 54 million euros
Registered Investment Holdings as of December 31, 2007	90,000 m ² of Area
Rental Yields Per Year In Terms of Annual Net Desired Rent Excluding Heating	10 %
Acquisition Price per m ² of Area (Including Possible Necessary Renovation Measures)	600 Euro
Average Monthly Rental Yield per m ²	5 Euro

The information provided is drawn from the company planning from March 2007 and assumes the integration of SM Capital AG into the RCM Beteiligungs AG Group. Despite careful planning, a guarantee for the attainment at the target figures and/or the attainment of the acquisitions underlying the target figures cannot be made.

EXCERPT FROM THE DRESDEN RENTAL INDEX

Well Equipped Residences, Size 51 – 75 m²

in Euro	Year of Construction Up to 1918	Year of Construction 1919 – 1945	Year of Construction 1946 – 1990	Year of Construction After 1990
Average Location	4.19 – 5.67	4.53 – 5.49	4.07 – 4.73	No Information
Good Location	4.50 – 6.04	4.35 – 6.16	4.07 – 4.73	No Information

Best Equipped Residences, Size 51 – 75 m²

in Euro	Year of Construction Up to 1918	Year of Construction 1919 – 1945	Year of Construction 1946 – 1990	Year of Construction After 1990
Average Location	4.48 – 5.89	4.70 – 5.62	4.65 – 5.27	5.35 – 6.67
Good Location	5.01 – 6.14	4.85 – 6.03	4.71 – 5.62	5.08 – 6.86



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LETTER TO THE SHAREHOLDERS



Martin Schmitt
Management

Dear Shareholders,

RCM Beteiligungs AG is looking back at a successful business year in 2006. RCM Beteiligungs AG has achieved new business and revenue dimensions with the business results of the past business year. The decision made more than two years ago for the greater Dresden area to become the most important real estate location for our business activities proves to be, seen today, as the precursor to our successful business development.

The results of the business year 2006 prove this development with numbers: As a result of the standard business activities, a profit of TEUR 4,544 (previous year + TEUR 207) was generated in the year being reported as per the international accounting standards IAS/IFRS. This better than expected exceptional results has made the format of a tax position in the amount of TEUR 1,312 necessary. A profit of TEUR 3,232 is the annual net profit, nearly six times the profit of the results of the previous year of TEUR 544.

The results per share, calculated from the average capital, achieved a noteworthy 0.40 euros in the year being reported, as opposed to 0.07 euros in the previous year, which also corresponds to a similar rate of increase with an expanded capital basis. These excellent results also were reflected over the course of the year in the development of the market rate of our stock. In an annual comparison, the RCM Beteiligungs AG stock increased by more than 150 % and was quoted at 3.36 euros on December 12, 2006; a year previously, the end of year quote was still at 1.34 euros.

The goal additionally set at the beginning of the year 2006, in addition to the development of yields, namely the expansion of our real estate holdings to approximately 28,000 m² of registered area, was also achieved. The somewhat higher than originally planned sales of real estate from the holdings did not allow the realization of the ambitious targets, increased again over the course of the year, in regards to the registered area of holdings, by December 31st, 2006 to their full extent. As a result, we have followed the goal of exhausting the entire value chain of real estate investment, this does mean, however, that it is preferential that those pieces of real estate which have passed out of the value chain as per the understanding of our business model, will be released again.

In the previous business year, the real estate location of Dresden and its surroundings has sustainably moved into the field of vision of internationally operating investors. Since the sale of the largest public housing association in Dresden, the communal WOBA, to the US investor FORTRESS, the local real estate market has begun to move very strongly. The comparable low real estate prices in economically emerging Saxony have attracted many investors who have, in the meantime, also undertaken investments in the greater Dresden area. Therefore, RCM Beteiligungs AG has expanded their growth strategy in the current business year to include all of Saxony. Locations in all of Saxony will be inspected as possible investment locations under the application of likewise similarly stricter investment criteria.

At some of the newly selected locations, investments have already been undertaken in the meantime; other locations will follow. Dresden, however, will remain the most important investment location of the company.

The private exchange offer submitted to the institutional shareholders of SM Capital AG in the current business year underlines the significance of Dresden to RCM Beteiligungs AG as the investment focus of SM Capital AG is also located in the greater area of the state capital of Saxony (Dresden). With this acquisition, RCM Beteiligungs AG should grow to new dimensions. In this newly created RCM Beteiligungs AG group, registered holdings of an area of approximately 90,000 m² should be achieved by the end of the year 2007.

As a result of recent developments, our plans for the development of yields continue to receive the “green light”: At the RCM Beteiligungs AG Group, we are proceeding on the assumption of an annual net profit after taxes (as per the international accounting standards IAS/IFRS and prior to the deduction of third party shares) of approximately 6 million euros for the business year 2007 on the basis of the planning from spring of 2007 which is based upon the assumption of stabile to slightly increasing rental prices in Saxony. RCM Beteiligungs AG is proceeding on the assumption of constant and slightly increasing development of real estate and rental price levels at the real estate locations it has selected during the company planning for the current and coming business years. Should these developments, as described and/or justified in this business report not occur and/or not occur to their full scope, results other than those expected from today’s point of view must be assumed. This also applies in the case, for example, of overall economic or political developments not foreseeable today.

We still have a great deal of work ahead of us to achieve our ambitious goals. We are happy that you follow our work with interest as a shareholder of RCM Beteiligungs AG, as we can share from the diverse reactions to our public relations. We will keep you informed of current events and exciting developments during this business year as well within the context of our transparent public relations, primarily via our continually updated internet site.

The board’s thanks for the work conducted in the previous business especially goes to the employees of SM Wirtschaftsberatungs AG who conducted business activities for RCM Beteiligungs AG within the framework of the agency agreement for the provision of services with extraordinarily high dedication and great commitment. The board also thanks all shareholders, customer and business partners for their past and future support of RCM Beteiligungs AG.

The Management

Martin Schmitt



REPORT FROM THE BOARD OF DIRECTORS



Wolfgang Rueck
(Chair of the Board of Directors)



Gerrit Keller
(Board of Directors)



Thorsten Mattis
(Board of Directors)

Dear Shareholders,

The board of directors of RCM Beteiligungs AG comprehensively accompanied the business activities of the company in the previous business year. The board of directors has allowed itself to be informed of the progress of the business activities in four meetings of the board of directors as well as number informal conversations outside of the board meetings. All transactions and measures which require the approval of the board of directors as per law or bylaws are discussed with the management and concluded by the board of directors.

The management has informed the board of directors primarily about the state of assets, yields and finances of the company. At the same time, the board of directors has acquired detailed information about upcoming sales and purchases of real estate. After respective intensive consultations, the board of directors has awarded its unanimous approval for both real estate package sales. In doing so, the effects of these sales on the company's overall annual planning and the return situation had to be considered. Both increases of capital were likewise unanimously approved, after the board of directors had informed itself of the respectively associated effects upon the business activities.

Just as in the previous year, the board of directors reacquainted itself of the investment activities within the framework of an expanded object inspection in Dresden in the previous business year as well. In doing so, numerous real estate objects in Dresden were inspected. In numerous examples, the management informed the board of directors of the procedures during the object inspection and the additional necessary activities for the analysis of the micro and macro locations prior to the acquisition of a real estate object.

With the decision of December 1, 2006, the board of directors has concerned itself with the declaration of compliance of the German Corporate Governance Code and obtained the declaration of independence from the auditor of annual accounts as per the German Corporate Governance Code, which RCM Beteiligungs AG voluntarily subjects itself to.

With the decision of January 10, 2007, the board of directors has approved an increase of capital in the company up to 2,657,200 euros. To this, an inkind contribution of up to 94.9 % of the shares of SM Capital AG should be added.

The management has informed the board of directors of the plans underlying this transaction in a timely manner. The effects of this exchange offer were comprehensively discussed within the framework of a meeting of the board of directors. The appraisal report regarding SM Capital AG, generated by an independent auditor, which was underlying the exchange offer, was subjected to an intensive inspection at whose conclusion the concept presented by the management was unanimously approved.



Among others, the statements and evaluations of the real estate of the circulating assets as well as the security papers of the fixed and circulating assets, the statements and evaluations of the claims and obligations to affiliated companies and statements and endowments of other reserves were selected as the audit focus of the annual audit.

The annual financial statement of RCM Beteiligungs AG was audited by the auditor selected during the regular shareholders meeting of the year 2006, the BW Revision Jakobus & Partner GmbH Wirtschaftsprüfungsgesellschaft, Holzmaden and provided with an unrestricted confirmation notation. The board of directors concerned itself intensively with the annual financial statement during its meeting on March 8, 2007. In the presence of the auditor, the board of directors obtained detailed knowledge of the business processes relevant to the audit. Therefore, after its own inspection, the board of directors aligned with the audit results of the auditor and approved the annual financial statement provided by the management for the business year 2006.

As per § 172 of the German Stock Corporation Act (AktG), the annual financial statement of the company has thus been determined. In regards to the use of the balance sheet results, the board of directors aligns itself with the suggestion of the management.

With the conclusion of February 27, 2006, the local court of Boeblingen has again placed Mr. Wolfgang Rueck of Waiblingen and Mr. Gerrit Keller of Auenwald-Lippoldswweiler on the board of directors of the company. In its meeting on March 1, 2006, the board of directors unanimously elected Mr. Wolfgang Rueck as chair of the board of directors and Mr. Gerrit Keller as deputy chair of the board of directors.

Within the framework of the regular shareholders meeting on July 7, 2006, a reelection of the members of the board of directors took place. In doing so, Mr. Wolfgang Rueck of Waiblingen, Mr. Gerrit Keller of Auenwald-Lippoldswweiler and Mr. Thorsten Mattis of Gechingen were again elected regular members of the board of directors. The term of office of the members of the board of directors ends with the conclusion of the shareholders meeting which determines the financial relief for the business year 2010.

The board of directors thanks the management of the company as well as all employees of SM Wirtschaftsberatungs AG, which handled the transactions of RCM Beteiligungs AG on the basis of the agency agreement for the provision of services for their great dedication and the work that they have done.

Sindelfingen, March 9, 2007

The Board of Directors

Wolfgang Rueck

Chair of the Board of Directors

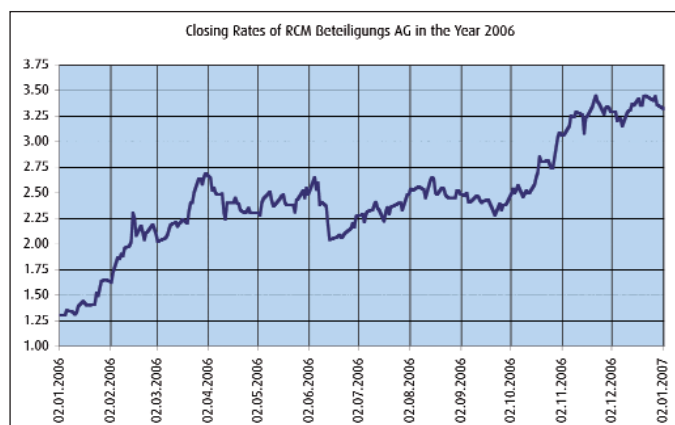


THE RCM BETEILIGUNGS AG STOCK: 2006 – THE YEAR OF THE BREAKTHROUGH

The RCM Beteiligungs AG Stock (all quote and turnover information for the electronic trading system Xetra):	
Identification Number:	511 720
ISIN:	DE0005117204
Stock Exchange Centers:	Xetra, Frankfurt, Stuttgart, Munich, Hamburg, Berlin (Open Market)
Rate Development 2005: First Listing on June 10, 2005:	EUR 1.39
Closing Rate on December 30, 2005:	EUR 1.34
Rate Development 2006: Rate at Beginning of Year:	EUR 1.30
Annual Lowest Rate on January 5, 2006:	EUR 1.25
Annual Highest Rate on December 18, 2006:	EUR 3.46
Annual Closing Rate:	EUR 3.36
Overall Year 2006	+ 166 %
Average Turnover on Xetra in the Year 2006 in Units:	41,300
Market Capitalization on December 29, 2006:	TEUR 31,090

In the year 2006, the stock of the market newcomer RCM Beteiligungs AG was a true immediate success with a constantly increasing rate over the entire year interrupted only by consolidation phases.

In January of 2006, the stock again reached its issuing price of 1.41 euros after the rate had declined to 1.18 euros in the year 2005. The following rate increase developed even more quickly and sustainably, a picture book chart which even the general rate correction of the stock exchanges between June and September of 2006 could not affect. By the end of March 2006, the price for the stock of RCM Beteiligungs AG had nearly doubled since the beginning of the year with a closing rate of 2.69 euros and a highest rate of 2.75 euros. The announcement of the sales of four real estate objects with a volume of 2.5 million euros



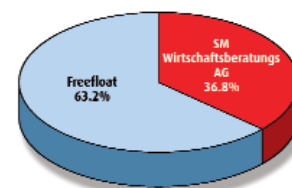
published on March 15th certainly had a sustainably supporting effect. The resulting return of 400,000 euros already corresponding to half of the planned returns for the sale of objects for 2006. In April, the rate changed to a sideways movement which lasted continuous until the fall. During this time, two bank capital increases of RCM Beteiligungs AG occurred, which raised the nominal capital to 9,253,125 euros in two steps. The share of RCM Beteiligungs AG held by SM Wirtschaftsberatung AG fell under 40 % as a result of these increases in capital.

The Next Leg of the Boom Began in October 2006

The rate increased strongly in October of 2006 with very high turnovers. After breaking through a resistance zone of approximately 2.70 euros, it quickly raced upwards. The rate quickly achieved its new highest rating of 3.45 euros in November. This movement was spurred on, among other causes, by the sale of real estate portfolio valued at six million euros which was announced on November 16th. The buyer of this real estate package was the internationally renowned Pirelli-Kronberg Group.

The business numbers published on September 30, 2006 as well as the successful placement of a second capital increase had a positive effect on the rate. Up to this date, RCM Beteiligungs AG had nearly doubled its real estate holdings in the current business year with 27,000 m². The original holdings target of RCM Beteiligungs AG for the year 2006 was nearly realized after only nine months. The rate level achieved was able to be sustained until the end of the year. The stock of RCM Beteiligungs AG closed at 3.36 euros on December 29th; and thus, the rate more than doubled overall for the year 2006.

Stock Structure on December 31, 2006



Acquisition of SM Capital AG Opens Additional Potential

The stock crested to its new highest rate of 4.46 euros already in January of 2007. The announcement of the planned acquisition of the affiliated company SM Capital AG, a real estate company with a similar business model which had invested up to 80 % in the greater Dresden area, was positively assessed on the stock market. With this step, RCM will continue to increase the considerable potentials for synergy as well as the substance and earning power. The significantly increased market presence of RCM Beteiligungs AG should, with the additional expansion of holdings, lead to a sustainably improved competitive position in purchasing as well as in sales, particularly of larger real estate packages.

The rate drop in the stock exchange in Shanghai at the end of February, which placed the stock exchanges worldwide under pressure, subsequently brought the stock price of RCM to a loss of approximately 13 % with rates of 3.62 euros and 3.56 euros on February 26th and 27th. The stock was already resting on the trading floor in Frankfurt with a closing rate of 3.72 euros again on March 1st, an improvement of around 6 %. A few days later, the four euros mark was nearly reached again. This was supported by the announcement of the business figures for the business year 2006, which came across as partially better than expected. The prospects for 2007, with the planned growth of returns of 25 %, were honored on the stock market, as well as the diversification and expansion of the business model.

Nominal Share Capital Development of RCM Beteiligungs AG	
Founding in the Year 1999	7,500,000 euros
Increase of Cash Equities in April 2006 by 725,000 euros	To 8,225,000 euros
Increase of Cash Equities in September 2006 by 1,028,125 euros	To 9,253,125 euros
Increase of In-Kind Capital in April 2007 by 2,646,875 euros	To 11,900,000 euros

2006 Was a Successful Year for Many German Real Estate Stocks

German real estate stocks developed very well in a European comparison to the past two years. The German real estate stock index of the European Public Real Estate Association (EPRA) thus increased by 79 % from the beginning of 2005 to September 2006, while the European counterpart only grew by 44 %. A study by Kirschoff Consult revealed that a selection of 20 real estate rates, with a rate increase of 38 %, developed significantly better than the DAX Index, which achieved a comparatively low performance of 22 %. But there are, however, marked differences in the assessment of the individual real estate stocks. As one of the smallest real estate stocks, RCM Beteiligungs AG still reported a one digit price earnings ratio for the basis of profits for the year 2006 as well as the basis for the expected profit numbers for 2007. RCM Beteiligungs AG sees itself as well prepared for the future with its business model and its associated clear focus on the dynamically growing Saxony will continue to decisively follow the adopted path of growth.



THE BUSINESS CONCEPT OF THE RCM BETEILIGUNGS AG

The decision regarding the success of an investment is frequently made at the beginning. The sentence “The profit rests in buying” has already been heard by and followed by generations of investors. This old piece of trading wisdom still holds true today and makes up an important part of our business strategy.

This does not mean, however, that only those who always buy at the seemingly lowest prices will be successful. It is much more the case that those people will be successful who first of all avoid buying at expensive and/or inflated rates. A piece of real estate offered at a seemingly lowest price can, if, for example, the location turns out to be difficult to rent or the infrastructural development steeply turns downward, finally prove to be an expensive bad investment. Starting from these considerations, RCM Beteiligungs AG has developed an investment concept which, after the basic analysis of the locations coming into question, has been implemented with a focus on the greater Dresden area for more than two years.

RCM Beteiligungs AG has met the precondition of being able to purchase cheaply enough in recent years by tying itself to a broad net of relationships within which residential property can be specifically added to the holdings from utilization and other special situations. In this manner, these pieces of real estate can be acquired at prices significantly lower than the current market value. At the same time, RCM Beteiligungs AG avoids purchases which later prove to be expensive by subjecting all real estate it intends to purchase to an intensive analysis in terms of the development possibilities of the micro and/or macro situation, in the course of which factors such as the foreseeable movements of population, infrastructure, building characteristics and ability to rent, to name just a few of these, are strongly examined.

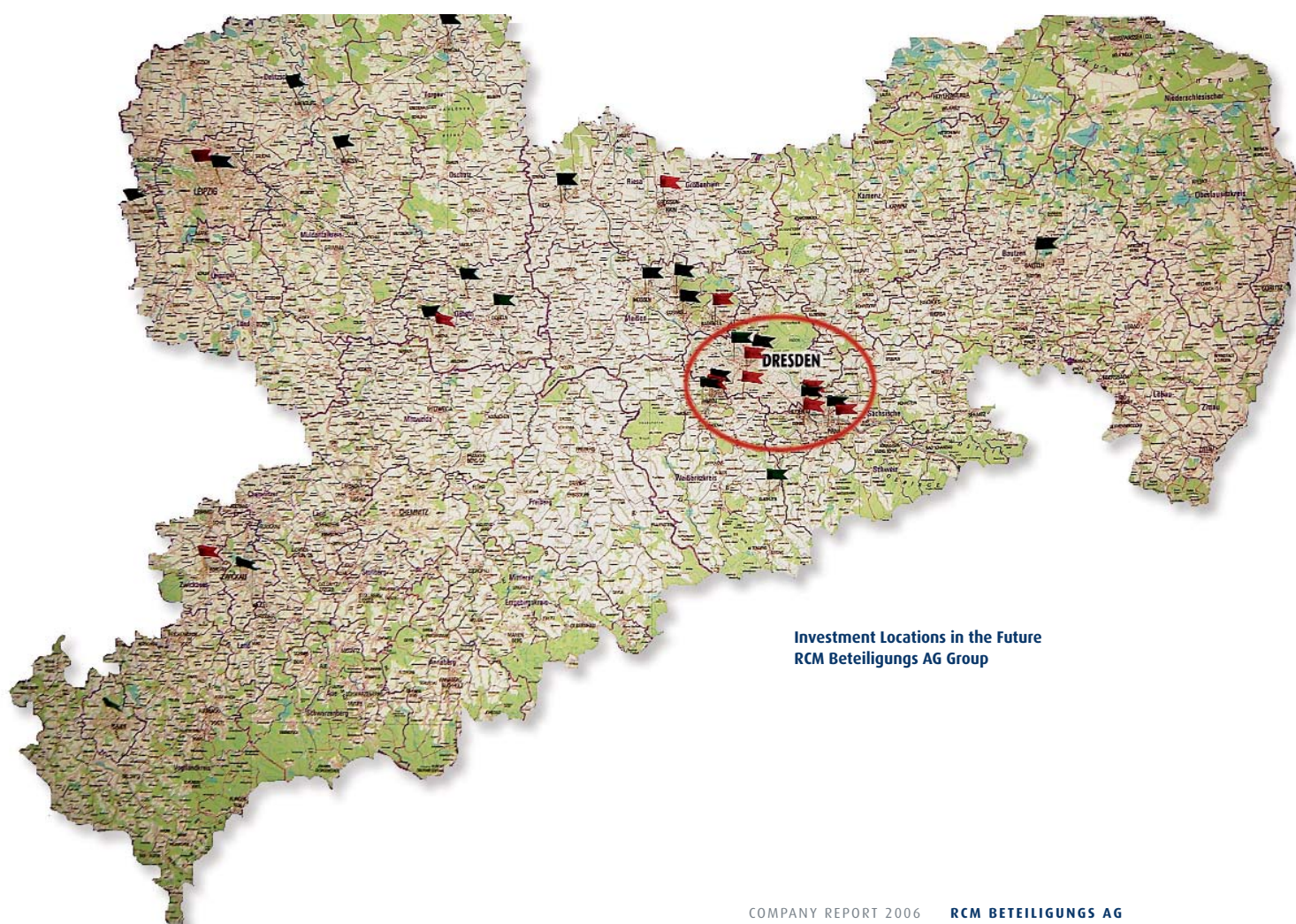
With the decision to purchase a piece of real estate, however, the work is by no means already accomplished. Specific improvements to the substance of a building and its apartments, measures to improve and/or stabilize the tenant structure (the listing of these items is by no means complete) are indispensable preconditions for an object to be able to be returned to the real estate market successfully at a later point in time.

An entire series of advantages are packaged with the business model of RCM Beteiligungs AG:

- » The investment in real estate objects in selected locations with a special focus on Dresden guarantees the realization of above average rental yields on the basis of the annual net desired rent excluding heating of approximately 10 % per year after additional acquisition expenses.
- » The acquisition of objects from compulsory auctions or other special financial situation enables the placement of valuation reserves already during the purchase of objects by the acquisition of prices which generally rest at approximately 70 % of the current market value of the objects (after valuation procedures).
- » Securing of higher equity capital yields as well as the highest possible investment volumes through external financing of the objects in the holdings with correspondingly low value at risk.

- » Low cost structures through an agency agreement for the provision of services with SM Wirtschaftsberatungs AG which will take on all activities necessary for the acquisition and the management.
- » Economic advantages in corporate group through the contribution and use of the experiences of SM Wirtschaftsberatungs AG in real estate management.

In the meantime, the investments of RCM Beteiligungs AG are in no way limited solely to Dresden. The economically dynamic development of Saxony (as per information from the Statistical Office of the Free State of Saxony, the gross domestic product of Saxony in the year 2006 had a real increase of 4 % over the previous year) has prompted us to search for attractive residential locations, paired with inexpensive market entry conditions, outside of Dresden as well. And thus we have analyzed additional locations in Saxony for their appropriateness for implementation into our investment concept.





THE BUSINESS DEVELOPMENTS OF RCM BETEILIGUNGS AG IN THE BUSINESS YEAR 2006

Proceeding from the end of year holdings of the business year 2005 with approximately 15,000 m² of area, RCM Beteiligungs AG has nearly doubled its area of holdings in the previous business year. RCM Beteiligungs AG had registered approximately 28,800 m² of area holdings by December 31, 2006, which corresponds to an investment holding of approximately 15.6 million euros. Other pieces of real estate are also included in these numbers whose purchase was registered in the year 2006 whose economic transfer, however, will take place in the year 2007. These objects, due to the balance sheet procedures, could no longer be included in the end of year balance sheets for the business year 2006.

A total of 37 pieces of real estate with a total area of nearly 25,000 m² were newly taken into the holdings in the year being reported; all in all, approximately 12.6 million euros were newly invested with this. The focus of the new investment rested in the greater Dresden area with approximately 10 million euros (79 %), (9.3 million euros of this was directly invested in Dresden).

RCM Beteiligungs AG continually proved during the previous business year that a real estate investment concept can also be implemented now in the new federal states, if this is reasonable conceived in a well thought out manner. What is crucial for our decision for or against a location is the result of our investment analysis of the location coming into question. This is primarily marked by the current and future expected demographic development which decisively marks a location in terms of real estate investment. These population movements are primarily affected by factors such as the development of the infrastructure as well as the influence of the municipal economic policies on the acquisition of jobs. From the point of view of the investment in property, the price structure of the local real estate market as well as the type and characteristics of the existing structure and possible construction plans in the surroundings of the micro location to be analyzed play an important role. Planned renovation measures, as well as the pointed tearing down of buildings with a reasonable new usage of the resulting free areas can give a street a completely new character within only a few years and thus significantly influence the development of real estate prices in a micro area as well.

Registered Real Estate Holdings:	December 31, 2006	December 31, 2005	+/-
Investment Volumes	Approximately TEUR 15,600	Approximately TEUR 8,900	+75 %
Area of Holdings	Approximately 28,000 m ²	Approximately 15,000 m ²	+92 %
Number of Units	397	220	
Rent Yields Per Year	Approximately 10,1 %	Approximately 10,4 %	

New Investments in the Business Year 2006

Designation	City	Units	Area in m ²
Ahornstraße	Dresden	3	187.30
Altgorbitzer Ring	Dresden	3	202.50
Am Hartheberg	Hartha	5	261.11
Am Hartheberg	Hartha	4	404.19
Bahnhofstraße	Zwickau	7	428.88
Berthold-Haupt-Straße	Dresden	5	375.93
Buchenstraße	Dresden	15	1,006.00
Charlottenstraße	Dresden	18	1,176.39
Charlottenstraße	Dresden	24	1,438.66
Comeniusstraße	Dresden	6	412.00
Dammweg	Dresden	31	2,324.76
Dresdner Straße	Freital	8	441.93
Dresdner Straße	Freital	5	408.85
Dresdner Straße	Dresden	6	397.97
Dresdner Straße	Dresden	6	703.76
Elbstraße	Meißen	5	404.00
Erlenstraße	Dresden	1	112.95
Eugen-Bracht-Straße	Dresden	6	488.30
Frankenbergstraße	Dresden	12	745.26
Gartenstraße	Gotha	4	898.35
Goethestraße	Riesa	8	420.26
Gostritzer Straße	Dresden	10	720.21
Großenhainer Straße	Dresden	8	849.35
Hebbelplatz	Dresden	11	697.00
Helgolandstraße	Dresden	14	895.89
Helgolandstraße	Dresden	19	1,603.58
Hohe Straße	Riesa	8	704.78
Lange Straße	Freital	5	765.40
Luebecker Straße	Dresden	7	517.54
Moritzstraße	Zwickau	4	755.37
Reisstraße	Dresden	8	563.35
Rudolf-Renner-Straße	Dresden	12	871.10
Schneebergstraße	Dresden	9	806.40
Staupitzstraße	Doebeln	8	557.90
Th.-Kunzemann-Straße	Doebeln	8	554.45
Tichatscheckstraße	Dresden	3	183.83
Wendel-Hipler-Straße	Dresden	9	527.88
Total:		325	24,813.38

ACQUISITION OF SM CAPITAL AG

In January of 2007, RCM Beteiligungs AG presented an exchange offer with the goal of acquiring up to 94.9 % of the shares of SM Capital AG. For this purpose, RCM Beteiligungs AG made the affected shareholders of SM Capital AG an offer to exchange a share of SM Capital AG for 0.56 of a new share of RCM Beteiligungs AG. A previously ordered value appraisal by an independent auditor assessed the value of SM Capital AG at more than 10 million euros. RCM Beteiligungs AG conducted an increase of in-kind capital to settle the acquisition of SM Capital AG. On the basis of this exchange offer, RCM Beteiligungs AG was submitted 4,726,563 shares of the five million shares comprising the nominal share capital of SM Capital AG for exchange. The nominal share capital of RCM Beteiligungs AG was thus increased within the framework of this acquisition by 2,646,875 euros to 11,900,000 euros.

With the acquisition of SM Capital AG, RCM Beteiligungs AG acquired a real estate portfolio situated in nearly 80 % of the greater Dresden area which, with its structural composition, optimally supplemented the real estate holdings of RCM Beteiligungs AG. In this manner, more than 17,000 m² of area were added to the newly created RCM Beteiligungs AG Group, which were able to be acquired free of additional expenses. In addition, SM Capital AG brings with it the not inconsiderable for corporate tax loss carried forward of 1.4 million euros. This asset proves even more valuable as the loss carried forward by RCM Beteiligungs AG was consumed earlier than expected due to the exceedingly positive business development in the last business year.

With this acquisition, RCM Beteiligungs AG has secured an attractive real estate portfolio which it would not have been able to acquire in one blow on the market with its focused structure on Dresden. That RCM Beteiligungs AG will significantly profit from this acquisition is seen in the forecast calculations conducted in advance which results in a significant increase in profits from this acquisition alone, with the profit per share on the increased capital resting at approximately 10 %.

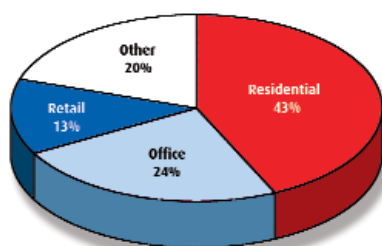


THE REAL ESTATE MARKET IN GERMANY

International Investors Dominate the Real Estate Market in Germany – Residential Real Estate is Primarily Sought

The German real estate market continues to attract primarily foreign institutional investors. The business report regarding the business year 2005 was titled in reference to this fact: "The Entire World is Active in the German Real Estate Market – Only the German Aren't Very Involved". Not a lot has changed about this fact another twelve months later. While there are a few private investors as well as institutional investors from Germany to be observed in the meantime, but the masses of institutional investors continue to turn their backs on the German real estate market as investors the same as before – in contrast, domestic custodians of holdings, primarily from the municipal field, are continually noticed on the seller side. According to the real estate broker Jones Lang Lasalle (JLL), Germany is the second largest European investment market. The British real estate market certainly still remains unmatched with a volume of 70.2 billion euros, but Germany has caught up and, with investments of 12.5 billion euros, pushed France into third place.

Distribution of the Real Estate Investments in Germany in 2005
(Basis: Transaction Volumes)



Source: DIGI RESEARCH

It is primarily the good risk/return ratio in the real estate market in Germany that attracts the foreign investors: German tenants are known as reliable payers and the real estate price level, despite the moderate increase in prices applied last year, is still attractive in an international comparison.

RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS +++ RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS +++ RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS +++



Location: Alte Moritzburger Straße
Dresden

Units: 6
Area: 495 m²



Location: Am Strehlaer Wasser
Bautzen

Units: 14
Area: 827 m²



Location: Augsburger Straße
Dresden

Units: 10
Area: 804 m²



Location: Caspar-David-Friedrich-Straße
Dresden

Units: 6
Area: 455 m²

But in the meantime, not only large investors from abroad are active. The real estate service organization Aengevelt already determined in the first quarter of 2006 that, alongside the large financial investors such as Blackstone and FORTRESS, there are now an increased number of mid-sized as well as smaller investors from Scandinavia, the Netherlands and Italy active within the German real estate market. The analysts from Cushman & Wakefield Healy & Baker (CWHB) came to the same conclusion: After the larger names have paved the way into the German real estate market, smaller investors and private investors have now gotten a taste for it. 1a locations, apartment portfolios and public portfolios were especially sought after in the year 2006. Particularly in the case of large residence packages, the prices are often driven up by bidding wars so that the seller frequently realizes more than planned.

RCM Beteiligungs AG Continues to Focus on Residential Real Estate

RCM Beteiligungs AG recognized the potential of the German real estate market early on and has specialized in the lucrative, high growth business of East German residential real estate. Office buildings and commercial real estate consciously do not number among the investment objects. This distinguishes the company from the many German institutional investors who prefer the local office buildings despite the high vacancy rates. The strong dependence of commercial real estate upon the overall economic development and on economic-political guidelines which are frequently enough subordinated to the interests of political parties is seen as an imponderable risk by RCM Beteiligungs AG which does not fit within the return optimized business model.

15

Apartment Packages Are Sought After

German residential real estate is a favored investment for many foreign financial investors. In the past two years, some 600,000 apartments have been purchased in Germany. The overall investments provided 1.75 billion euros. The continuing privatization of objects by municipalities and states promises additional growth for this real estate segment. The forerunner for this trend with the city of Dresden, which sold more than 47,000 apartments from the state real estate company Woba to the US financial investor FORTRESS in March of 2006 for about 1.8 billion euros.

+ RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS +++ RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS +++ RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS



Location: Comeniusstraße
Dresden

Units: 6

Area: 412 m²



Location: Friedrich-Engels-Straße
Riesa

Units: 8

Area: 504 m²



Location: Großenhainer Straße
Dresden

Units: 8

Area: 847 m²



Location: Haeckelstraße
Dresden-Heidenau

Units: 6

Area: 391 m²



In doing so, the capital of Saxony has freed itself from debt in a single blow. As the next largest apartment package, 100,000 apartments from the Landesentwicklungsgesellschaft (LEG) Nordrhein-Westfalen are meant to be sold to a well known investor in the year 2007. The estimated sales volume is 4.0 billion euros.

More than 70 % of the parties interested in residential real estate are, in the meantime, investors from Denmark, Ireland, Great Britain, the Netherlands, Israel or the USA, according to a report from the German Real Estate Association (Immobilienverband Deutschland [IVD]). Many brokers for multiple family homes are already lacing together packages for the foreign investors – with prices increases of 10 % and more. Rental buildings are also showing the first effects of price increases. The prices are still remaining stagnant for condominiums.

In general, living in Germany will get more expensive. The rent per square meter increased by 2.8 % in the year 2006 over the previous year. It is expected that the rental price growth per year will level off at approximately 2.7 % in the long term. Purchase prices are also increasing: experts expect a rate of price increases between 2.0 and 2.4 % for the coming year. The rental returns should stabilize at over 5 %. With its rental returns generated resting at approximately 10 % per year (based upon the annual net desired rent excluding heating), RCM Beteiligungs AG is in a top position.

Real Estate in Germany is Still Comparatively Inexpensive

Germany is still limping behind the European market in terms of real estate prices. The prices of houses have remained constant here since the mid 1990s while they have grown by 150 % in Spain in the last ten years, by 200 % in Great Britain and even by 300 % in Ireland. The investments of international investor have, however, left their first traces on the German real estate market: the prices for multiple family houses have, in the meantime, significantly increased depending on location. According to information from the industry association IVD, the prices in cities such as Berlin have increased by up to 20 % in the year 2006. It is now not only the large housing areas that are sought after on the part of investors. In comparison to previous years, there is also an increased interest in multiple family homes that can be observed in the meantime.

RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS +++ RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS +++ RCM BETEILIGUNGS AG REAL ESTATE HOLDINGS +++



Location: Reissstraße
Dresden

Units: 8

Area: 560 m²



Location: Ritterstraße
Torgau

Units: 9

Area: 738 m²



Location: Schneebergstraße
Dresden

Units: 9

Area: 806 m²



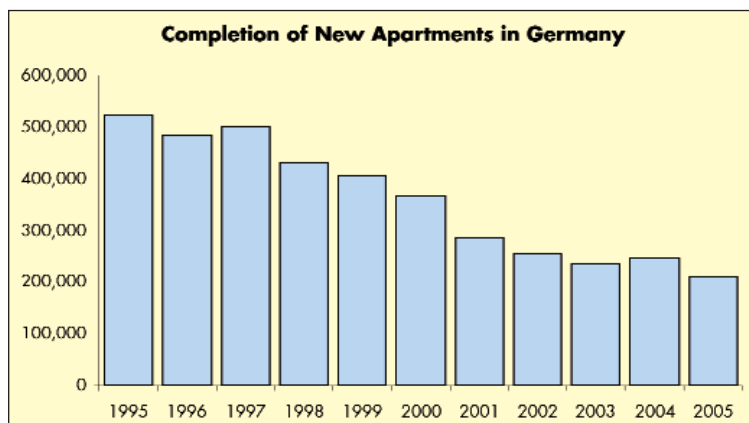
Location: Stephanstraße
Dresden

Units: 12

Area: 602 m²

Supply/Demand Situation Gives Courage

Demographic aspects also provide bonus points for the German real estate market, against expectations: while the number of inhabitants in Germany, as per estimations by the analysis company Feri, will continue to sink through the year 2030, the number of households will, in contrast, increase thanks to a growing number of young as well as old single persons. Feri predicts an average annual growth of households of 0.4 % by the year 2014. The increasing number of households in the older generation will present a reflection of the flood to the cities observed earlier. Decreased mobility could lead to a significantly increasing demand for real estate in the city center. Residential real estate is also becoming more attractive due to an increasing shortage of offers. The completion reaches its lowest point in the year 2005 after an eight year decline and will also only increase by 0.3 % per year in the future. State sponsored demolition programs, such as, for example, "City Renovation East (Stadtumbau Ost)", over the course of which up to 350,000 no longer rentable apartments will be demolished, are pushing the demand/supply relationship further.



Source: German Federal Office for Building and Regional Planning; German Federal Statistical Office



Location: Theodor-Kunzemann-Straße
Doebeln

Units: 8

Area: 554 m²



Location: Villa Clara
Hartha

Units: 5

Area: 260 m²



Location: Villa Elsa
Hartha

Units: 4

Area: 404 m²



Location: Wendel-Hipler-Straße
Dresden

Units: 9

Area: 524 m²



THE REAL ESTATE MARKET IN SAXONY WITH A FOCUS ON DRESDEN

Saxony is playing a larger role in the German economy – a reason why the real estate market will also quickly gain significance. The state earns top places in the German economic rankings from year to year. Not only did the economy of Saxony grow over proportionally in 2006, it even showed the strongest gains in all of Germany. The gross domestic product (GDP) increased by 4.0 %, adjusted for price, over the previous year, followed by Baden-Wuerttemberg with a gain of 3.5 % and Hamburg with 2.9 % growth. The comparable average growth in Germany amounted to 2.5 % in the previous year. In an international comparison, Saxony performed even better in the year 2006 than the USA, which achieved a GDP growth of 3.3 %. In the EU, the growth rate adjusted for prices amounted to 2.8 %.

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Gross Domestic Product 2006 Per Country ¹⁾				
Area	In Respective Prices		Price Adjusted	
	Absolute In Billions of Euros	Change From Previous Year in %	Chain Index 2000 = 100	Change From Previous Year in %
Baden-Wuerttemberg	337.2	3.5	107.01	3.5
Bavaria	408.3	2.5	110.10	2.5
Berlin	80.3	1.9	96.01	1.5
Brandenburg	49.5	3.0	102.73	1.9
Bremen	25.3	2.8	106.81	2.2
Hamburg	86.0	3.7	108.07	2.9
Hesse	204.1	1.8	104.09	2.1
Mecklenburg-Western Pomerania	32.3	2.1	102.46	1.5
Lower Saxony	196.5	2.7	104.03	2.3
North Rhine-Westphalia	500.7	2.8	103.84	2.2
Rhineland-Palatinate	100.3	2.6	104.92	2.3
Saarland	28.0	2.0	106.79	1.4
Saxony	88.7	4.1	111.80	4.0
Saxony-Anhalt	50.0	3.8	107.90	2.8
Schleswig-Holstein	69.7	1.7	103.29	1.5
Thuringia	45.8	2.9	108.23	2.6
Germany	2,302.7	2.8	105.79	2.5
Old States with Berlin	2,036.4	2.7	105.56	2.4
Old States without Berlin	1,956.0	2.7	105.99	2.5
New States with Berlin	346.7	3.0	104.63	2.5
New States without Berlin	266.3	3.4	107.52	2.8

¹⁾ Basis for Calculation: January 2007 (Overall Economic Accounts of the Confederation)

Source: The Regional Statistics Office of the Free State of Saxony

Saxony has profited primarily from the strong industrial business activities. In recent years companies such as VW, Porsche, BMW or AMD have established themselves here which, according to information from the Institute for the Promotion of the Economy (Institut fuer Wirtschaftsfoerderung) in Halle, have contributed to the boom in Saxony alongside numerous mid-sized companies. And thus Saxony also ranks first nationwide in the area of growth of labor productivity with a gain of 3.3 %. In Germany, the average growth was 1.8 %.

Dynamism Made in Saxony

In the dynamism rankings, which Wirtschaftswoche jointly determines with the Initiative for a New Social Market Economy (Initiative Neue Soziale Marktwirtschaft) on an annual basis for 50 German metropolises, Saxony's capital, Dresden, nearly traditionally has occupied first place for years. The economic conditions in the metropolis on the Elbe have developed the best from 2000 to 2005. In addition, Dresden has moved from place 30 to place ten in the metropolis rankings, which also contain the dynamism analysis, and thus characterizes itself to be the most successful East German city by a large margin.

Dynamism Index + Comparison with the Level Index (Points + Ranking)				
City	Points	Rank	Rank Prev. Year	Difference
Dresden	66.2	1	24	23
Mannheim	59.6	2	13	11
Saarbruecken	58.4	3	33	30
Cologne	58.1	4	14	10
Duesseldorf	57.4	5	4	-1
Frankfurt	57.0	6	2	-4
Freiburg	57.0	7	21	14
Magdeburg	56.5	8	45	37
Muelheim	56.4	9	19	10
Karlsruhe	55.9	10	6	-4
Krefeld	51.6	20	26	6
Leverkusen	49.1	30	9	-21
Kassel	44.8	40	44	4
Rostock	31.9	50	49	-1

Source: Initiative for a New Social Market Economy (Initiative Neue Soziale Marktwirtschaft)/Wirtschaftswoche

Overall Index (Points + Ranking)					
City	Level	Dynamism	Total	Rank	Rank Prev. Year
Munich	77.6	53.0	130.6	1	1
Frankfurt	69.7	57.0	126.7	2	2
Stuttgart	69.2	55.2	124.4	3	3
Duesseldorf	66.6	57.4	124.0	4	5
Mainz	65.5	54.8	120.3	5	4
Karlsruhe	63.2	55.9	119.2	6	6
Mannheim	57.4	59.6	117.0	7	11
Muenster	60.8	54.9	115.8	8	15
Cologne	57.1	58.1	115.2	9	8
Dresden	48.8	66.2	115.0	10	30
Saarbruecken	46.5	58.4	104.9	20	24
Dortmund	42.3	51.5	93.9	32	28
Duisburg	41.5	50.0	91.5	35	39
Berlin	35.5	41.6	77.1	48	48

Source: Initiative for a New Social Market Economy (Initiative Neue Soziale Marktwirtschaft)/Wirtschaftswoche

The state was also a role model in the areas of household budget stabilization and the use of incentives. Alongside Hesse and Mecklenburg-Western Pomerania, Saxony has reduced its public debts the most diligently in recent years. There is no longer a funding deficit in Saxony; the state even took in 550 million euros more in 2006 than it gave out. The aid money from the solidarity pact is only used in conformity to the regulations, i.e. for necessary infrastructural projects, only in Saxony among the new federal states. Other federal states have regularly used the solidarity transfer for improper purposes, such as to balance out high personnel costs or interest payments. Saxony, on the contrary, has used it to commit the largest chip manufacturer AMD and Infineon to the location of Dresden.

The Real Estate Market in Dresden is Flourishing

The positive overall economic situation in Saxony is attracting real estate investors, primarily in the centers of prosperity located in Dresden and Leipzig. The research of the Feri Finance Group, a company that has, among other pursuits, specialized in real estate market ratings, calculates rents rising above average not only in Hamburg, Hesse and Baden-Wuerttemberg, but in Saxony as well, through 2014 due to the rising demand for residential areas. In Saxony, the average rate has climbed by approximately 8 % within two years. The real estate market in Saxony, therefore, offers an interesting investment potential for investors who would like to invest in so-called profit objects. The purchase price for multiple family homes is still inexpensive in comparison to other cities despite an already palpable increase in recent years. As per a survey by the state construction savings bank, the real estate price level in Dresden is still comparable to cities such as Bielefeld, Bramsche or Soest, to name only a few examples.



Dresden in the Sights of Foreign Investors

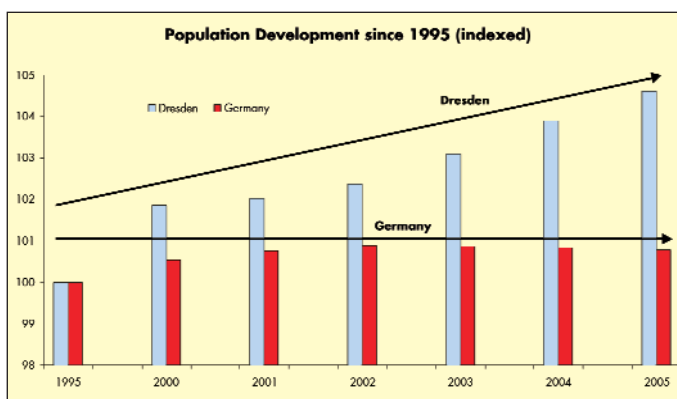
Foreign investors are increasingly going on shopping trips in the new states. Metropolises such as Munich, Frankfurt, Stuttgart and Berlin have reached a real estate price level in the interim which is no longer attractive from a rental return point of view. All the same, increases in real estate prices can also take place in these locations due to special regional characteristics. Rental returns significantly above the federal German average in attractive locations in which vigorous economic development can be assumed, occur, however, primarily in Saxony. Thus, it should not be a surprise that the city of Dresden, which is attractive in terms of its economic development as well as its demographic development, has moved into the field of vision of foreign investors.

In Demand: Renovated and Modern Real Estate

The much quoted high amount of vacant buildings is primarily characterized by unrenovated objects with low and outdistanced standards; often less than 20 % of the holdings of these are rented. Renovated and/or modernized residential old buildings with above average standards are, in contrast, sought after, primarily in central locations in Dresden and Leipzig; a partial deficiency of these are even expected in the future. Saxony is the leader in East Germany for city renovation and the demolition of antiquated residential buildings and empty prefabricated buildings. The vacancy rate can be contained through these measures. Since the year 2000, a total of 50,000 apartments have been taken off the market in Saxony. The Association of Housing Cooperatives in Saxony (Verband Sächsischer Wohnungsgenossenschaften) is proceeding on the assumption of a significant decrease in vacancy rates in the coming years and estimates a rate of 9.5 % in Dresden in the year 2010 and 6.8 % in the year 2020.

The population numbers speak for the metropolises of Dresden and Leipzig as well. While the population numbers in Saxony declined slightly by 0.6 % at the end of the year, both of these cities in Saxony showed growth. In addition, Dresden showed slightly positive birth rates in the last year. A study by the Bertelsmann Foundation expects a growth in the number of inhabitants in Dresden of 3.1 % by the year 2020. As per the study, the population numbers in area will, in contrast, decrease by 8.6 % during the same period of time in the federal state of Saxony. Chances and risks are thus resting very close to each other. It is exactly this situation that makes it clear how important the precise analysis is in the selection of the individual investment locations. At the same time, the construction completions in Saxony have constantly declined since 2003. 4,676 new residential buildings were constructed in the year 2005; this is 17.3 % fewer than in the previous year. Economic development, demographics and residence market adjustment:

three good reasons why the successful implementation of the business model of RCM Beteiligungs AG should be guaranteed in the future as well.



Source: German Federal Statistical Office; Dresden Municipal Statistics Office (Kommunale Statistikstelle Dresden)



RCM BETEILIGUNGS AG IN THE PRESS



RCM With Big Plans

The real estate company RCM numbers among the lowest values in the industry with a one digit price-earnings ratio. In discussion with DER AKTIONÄR, sole director Martin Schmitt announced further surprises.

“We’ll Make It!”

With a 2007 price-earnings ratio of 5, RCM counts amount the least expensive German real estate stocks. In discussion with DER AKTIONÄR, sole director Martin Schmitt announced additional expansion steps.



RCM Confirms Profit Prediction: Target Price Increased

Readers of the *Aktieninvestor* have long since been familiar with **RCM Beteiligungs AG**: we introduced the real estate company prior to the start on the stock market in June 2005 [first rate at 1.40 euros] with a target price of 2.00 euros. We are raising the target price raised six weeks ago once again to 3.75 euros. On the one hand, we feel fully justified by the most recent numbers, on the other hand, RCM is inexpensive without competition.

RCM Beteiligungs AG (WKN 511720), founded in 1999, has specialized in investments in residential real estate in the new federal states, primarily in the Dresden area. The special kick of the 51% daughter of SM Wirtschaftsberatungs AG is that the company exclusively acquires residential objects and only via compulsory auctions.

wallstreet online

RCM AG: “Could Significantly Exceed Predictions”

21



RCM: Fat Returns in Dresden

RCM Beteiligungs AG: Clearly Assessed Two Thirds Less Expensive Than Gagfah



RCM Still Assessed As Inexpensive Despite Rate Increase

The stock of RCM Beteiligungs AG, which went on the stock market last June as a so-called “cold start emission” at rates of 1.40 euros, has recently demonstrated an impressive performance. Four weeks ago, the value was “discovered” by the stock market and climbed from 1.33 euros to a peak of 2.05 euros. Not without reason: the real estate company from Sindelfingen has more than fulfilled its previously, somewhat mocked, goals. This allows further increasing rates to be expected!

RCM AG: IPO Success from Gagfah Proves Under Valuation

We have already strongly suggested the stock of RCM Beteiligungs AG to you twice this year, and there are good reason to do so again. This is also shown in a comparison with the real estate holding company Gagfah, which went on the market today. Readers who followed our recommendation regarding **RCM Beteiligungs AG (WKN 511720)** in the middle of February are now approximately 35% ahead. But this **potential to move upwards is not yet exhausted**. The attitude for the real estate industry remains unchangingly good. This is also shown by the IPO of the real estate holding company Gagfah, which, due to heavy demand, was brought forward today. The stock started on the stock market with a rate of 22 euros and thus laid significantly above the issuing price of 19 euros.



RCM

Waiting for the Sweeping Blow

The stock of RCM Beteiligungs AG, which went on the stock market last June as a so-called “cold start emission” at rates of 1.40 euros, has recently demonstrated an impressive performance. Four weeks ago, the value was “discovered” by the stock market and climbed from 1.33 euros to a peak of 2.05 euros. Not without reason: the real estate company from Sindelfingen has more than fulfilled its previously, somewhat mocked, goals. This allows further increasing rates to be expected!

High Rental Returns

Thanks to its specialization in compulsory auctions, RCM realizes rental returns of more than ten percent. Buy it.

RCM Beteiligungs AG: Underway on Bus and Train in Dresden





DRESDEN IN THE YEAR 2006: THE THUMBS STAY UP FOR THE ONLY DEBT FREE METROPOLIS IN GERMANY

Dresden made headlines last year as the first debt free city in Germany. This was made possible by the sale of the real estate company Woba Dresden GmbH to the US investment company FORTRESS, which was concluded on March 9, 2006 by the Dresden city council. In doing so, a German city separated itself from its entire real estate holdings for the first time: more than 47,000 apartments changed owners for a purchase price of 1.7 billion euros. The last installment of the purchase price was transferred to the city of Dresden in November of 2006. Debts of 748 million euros were able to be repaid to the banks and Dresden has been debt free from this point on!

In doing so, Dresden has not only freed itself from the heavy burden of interest and repayment, it has also become an open area for new investments in infrastructure, science and education. These are all important advantages in the international battle for the creation of jobs. The economic location of Dresden has been additionally built up in recent years with billions of investments and has solidified its function as one of the most significant centers of micro electronics in Europe. The US semiconductor manufacturer AMD announced at the end of May 2006 that it would expand both factories in the capital of Saxony and invest an additional 2.5 billion dollars (approximately 2.0 billion euros) for this. In doing so, the largest competitor to the global market leader Intel will more than double the productivity of the factory in Dresden. The overall investment of AMD up to this point in Dresden amounts to 8.0 billion dollars.

New Investments in Silicon Saxony

It is not for nothing that the region surrounding Dresden is called "Silicon Saxony"; micro electronics and electrical engineering have settled between the capital of Saxony and Freiberg with companies such as AMD, Infineon/Qimoda, Siltronic and Solarworld. Four large chip factories, respectively two from AMD and Infineon, as well as the Dresden Center for Micro Electronics, give work to nearly 10,000 people. The region does not only offer jobs in production, but in research as well. In the year 2005, Infineon and AMD founded a research center for nanoelectronic technologies jointly with the Fraunhofer Society (Fraunhofer-Gesellschaft) using a public private partnership. For AMD chief Hector Ruiz, the state incentives certainly also played a large role in the selection of the location, alongside the well educated employees. Of the 2.5 billion dollars for the new investment, approximately 500 million euros come from incentives.



Not only foreign companies are investing in the location; domestic organizations are also supporting the attractiveness and liveliness of Dresden. One example for this is the construction of a high quality senior residence for clientele able to pay in an exclusive location in the Dresden Neumarkt with a view of the Frauenkirche. The investor is the regional foundation Martinshof Rotehnburg Diakoniewerk, which acquired a piece of property approximately 1,200 square meters large from the state apartment company Woba for 3.8 billion euros. 51 resident units with extremely comfortable sizes from respectively 50 to 90 square meters are intended to be built on a floor area of a total of 7,000 square meters. The luxury residences should rapidly open as early as spring of 2008.

Dresden Is and Remains a Tourist Magnet – The Progressive Restoration Gives the City Back A Great Deal of Its Old Shine

After the reconstruction of the Frauenkirche, the reopening of the Green Vault (Grüne Gewölbe) was another shining moment in recent years. After its reconstruction, Dresden again houses one of the most valuable art collections in Europe. In the year 2006 the Green Vault was festively opened after restorers, art historians and technicians had performed precision work for years. The building constructed from 1723 to 1729 has the malachite green color of individual components to thank for its name. The Saxon Elector Augustus the Strong allowed the vault-like room in the castle residence into a public treasure chamber. Among others, masterworks by jewelers and goldsmiths, sculpture made of ivory, drinking vessels from the Middle Ages and bronze statues were stored there. Bombing attacks by the Allied Forces in February of 1945 destroyed three of the eight rooms. In May of 1945, the Red Army confiscated the collection and brought it to Moscow. It returned 13 years later, although some 100 exhibits are still missing today.

After 21 years of constructions and 62 years after its destruction in the second world war, the Dresden Palace once again received its historic facade in January of 2007. A cupola trimmed with copper was festively placed upon the north east stair tower from the Renaissance. The tower is now again an approximately 35 meter high courtyard decoration. Parallel to the gross construction, construction work has been conducted on the interior of the museum complex for the last few years. At peak time, up to 400 construction workers, primarily from Saxony, were employed in the palace. The next stage with the roofing of the small courtyard in the year 2008, as well as the recreation of the English stairs.

These treasures have made Dresden a true tourist magnet. In the year 2006 alone, the state statistical office of the tourism industry counted more than 3.5 million overnight visitors. In the meantime, more than 20,000 jobs are attached to the tourism industry in Dresden, as well as an additional 2,000 training position, which strongly underlines the significance of tourism for Dresden. Hotels, restaurants and trade profit directly from this new boom. But the city treasury will also be filled from this increased tax yields. Together with the freedom from the burden of interest thanks to the freeing of debt from the Woba sale, clearance has been made for new investments in science, culture and education. As the "City of Science 2006", Dresden has presented itself to a wide audience in recent years. Dresden is developing into a pulsing metropolis with a completely unusual symbiosis of dynamic economic growth and traditional cultural preservation.



BALANCE SHEET AS OF DECEMBER 31, 2006 (IAS/IFRS)

ASSETS (in TEUR)

Long Term Assets

Financial Real Estate

Other Financial Investments

Active Latent Tax

Sum of Long Term Assets

Short Term Assets

Properties with Unfinished Construction

Properties with Finished Construction

Payments from Deliveries and Services

Payments from Rental

Payments from the Sales of Property

Other Short Term Payments

Equivalent Means of Payment

Securities

Currency

Accrual and Deferral Items

Sum of Short Term Assets**Sum of Assets****Dec. 31, 2006**

15,967.7

2.1

665.8

16,635.6

0.0

0.0

0.0

201.2

434.5

635.7

5,817.2

971.8

471.0

1,442.8

10.5

7,906.2**24,541.8****Dec. 31, 2005**

0.0

2.1

760.0

762.1

248.1

5,506.7

5,754.8

26.5

156.3

182.8

1,166.8

270.7

58.8

329.5

3.8

7,437.7**8,199.8**

LIABILITIES (in TEUR)

Equity Capital

Subscribed Capital

Capital Reserves

Profit/Loss Carried Forward

Annual Net Profit

Sum of Equity Capital

Outside Capital

Long Term Outside Capital

Financial Debts

Latent Tax

Sum of Long Term Outside Capital

Short Term Outside Capital

Liabilities from Deliveries and Services

Liabilities to Affiliated Companies

Financial Debts

Other Short Term Liabilities

Liabilities from Profit Tax

Short Term Reserves

Accrual and Deferral

Sum of Short Term Outside Capital**Sum of Liabilities****Dec. 31, 2006**

9,253.1

2,467.8

-2,244.0

3,231.8

12,708.7

9,257.7

1,132.2

10,389.9

181.3

113.8

767.6

266.6

83.6

30.3

1,443.2

0.0

1,443.2**24,541.8****Dec. 31, 2005**

7,500.0

225.0

-2,787.8

543.8

5,481.0

2,185.1

0.8

2,185.9

0.0

16.2

0.0

515.0

0.0

0.0

531.2

1.7

532.9**8,199.8**



PROFIT AND LOSS ACCOUNTS FOR THE PERIOD OF JANUARY 1 THROUGH DECEMBER 31, 2006 (IAS/IFRS)

(in TEUR)	2006	2005
1. Turnovers		
a) From Property Management		
– Rent Returns From Own Holdings	977.4	257.9
b) From the Sale of Properties	8,364.9	155.0
2. Earning from the Reassessment of Real Estate	2,979.4	0.0
3. Changes to Holdings	-6,661.7	-128.2
4. Other Operational Earnings		
a) Other	1.9	14.8
b) From Financial Operations	78.2	350.2
	5,740.1	649.7
5. Expenses for Related Deliveries and Services		
a) For Property Management	-168.7	-77.9
b) Expenses for the Sale of Properties	-65.4	0.0
	-234.1	-77.9
6. Personnel Expenses		
a) Salaries and Wages	-1.8	0.0
b) Social Fees and Expenses For Pensions	-0.3	0.0
	-2.1	0.0
7. Write Offs for Immaterial Transfers Assets Of the Fixed Assets and Tangible Assets	-30.3	0.0
8. Other Operational Expenses	-710.3	-434.3
Operational Results	4,763.3	137.5
9. Earnings from Other Securities	0.0	13.9
10. Other Interest and Similar Earnings	46.3	67.5
11. Interest and Similar Expenses	-265.8	-12.2
12. Results of the Usual Business Activities	4,543.8	206.7
13. Tax on Income and Profit	-1,312.0	337.0
14. Annual Result	3,231.8	543.7



CONFIRMING NOTATION OF THE AUDITOR

We provide the following confirmation notation regarding the annual statement of accounts.

“We audited the annual statement of accounts with inclusion of the accounting of **RCM Beteiligungs AG, Sindelfingen** for the business year from January 1, 2006 to December 31, 2006. The accounting and the preparation of the annual statement of accounts as per German commercial law regulations and the supplemental regulations in the articles of association are the responsibility of the legal representative of the company. Our task is to provide an evaluation of the annual statement of accounts with inclusion of the accounting on the basis of the audit conducted by us.

We conducted our audit of the annual statement of accounts as per § 317 of the German Commercial Code (HGB) under compliance with the principles of proper account auditing determined by the German Institute of Auditors (IDW). Accordingly, the audit is to be planned and conducted in such a manner that inaccuracies and violations that would significantly affect the presentation of image of the state of the assets, finances and earnings presented by the annual statement of account under compliance with the principles of proper accounting are recognized with sufficient security. Upon determination of the auditing operations, the knowledge of the business activities and the economic and legal environment of the company as well as the expectations of possible errors were considered. Within the scope of the audit, the effectiveness of the internal control system as well as proof for the information in the accounting and annual statement of accounts were primarily evaluated on the basis of random sampling. The audit encompassed the evaluation of the balancing principles used and the essential assumptions of the legal representative as well as the evaluation of the overall presentation of the annual statement of accounts. We are of the opinion that our audit provides a sufficiently secure basis for our evaluation.

Our audit led to no objections.

It is our belief that the annual statement of accounts under compliance with the principles of proper accounting provides a true proportionally corresponding image of the state of the assets, finances and earnings of the company.”

Holzmaden, February 14, 2007
BW Revision Jakobus & Partner GmbH
Auditing Company

Bernd Wuegner
Auditor

Wulf Ossenbuehl
Auditor





LEGAL NOTICE

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