

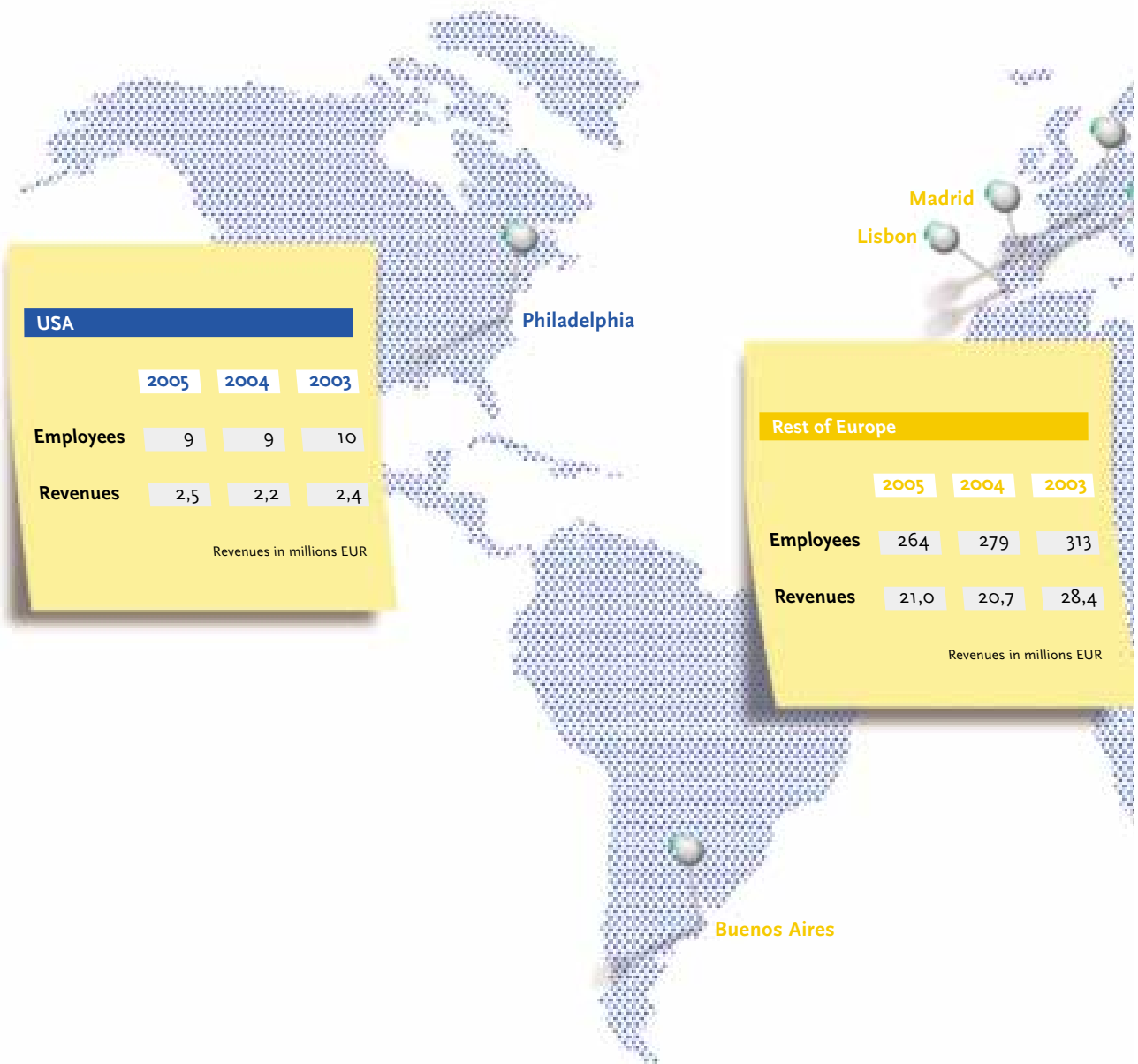
2005
Annual Report



REALTECH

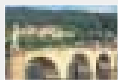


REALTECH WORLDWIDE



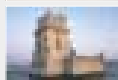
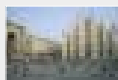
[REALTECH AG: in each case 100% (except where noted)]

Germany



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

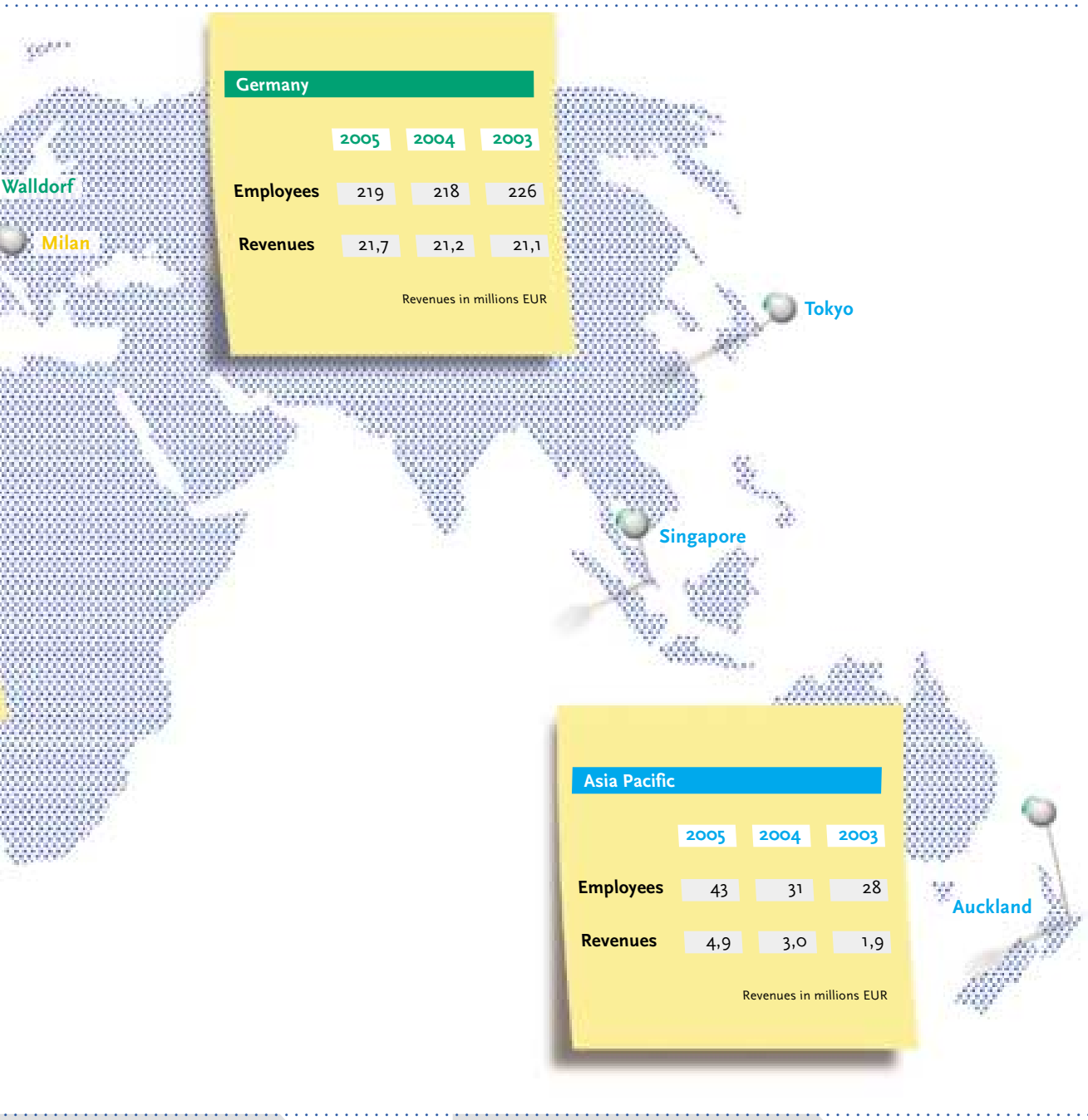
Rest of Europe



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

USA





● REALTECH Inc., USA



Asia Pacific

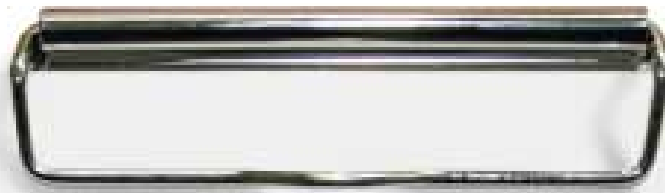
- REALTECH Ltd., New Zealand
- REALTECH System Consulting Pte. Ltd., Singapore
- REALTECH Japan Co., Ltd.
54,1% (since 1.1.2005)







THREE YEAR SUMMARY



	2005 TEUR	Δ %	2004 TEUR	Δ %	2003 TEUR
Revenues and income					
Revenues	50.047	6	47.075	(13)	53.824
Revenues consulting	39.773	7	37.284	(18)	45.314
Revenues software	10.274	5	9.791	15	8.510
Revenues Germany	21.653	2	21.226	1	21.075
Revenues foreign countries	28.394	10	25.849	(21)	32.749
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3.120	78	1.753	(61)	4.483
Earnings before interest and taxes (EBIT)	1.688	670	(296)	(118)	1.674
Earnings before taxes (EBT)	2.398	1.294	172	(88)	1.491
Net income	1.110	163	(1.760)	(440)	(326)
Earnings per share (in EUR)	0,22	163	(0,35)	(483)	(0,06)
Investments and depreciation					
Investments in intangible and tangible assets	1.137	27	896	66	540
Depreciation	1.432	(30)	2.049	(27)	2.809
Assets, shareholders' equity and liabilities (end of year)					
Total assets	57.310	3	55.512	(13)	63.546
Fixed assets	14.871	(6)	15.904	(7)	17.100
Current assets	41.560	8	38.468	(14)	44.982
Net cash and cash equivalents	25.948	21	21.357	7	19.924
Shareholders' equity	43.724	3	42.442	(4)	44.024
Equity ratio (%)	76,3	0	76,5	10	69,3
Noncurrent liabilities	0	0	0	(100)	3.068
Current liabilities	12.950	3	12.520	(24)	16.454
Key figures					
Gross margin (%)	38,1		38,3		38,6
EBITDA margin (%)	6,2		3,7		8,3
EBIT margin (%)	3,4		(0,6)		3,1
Cash flow from operating activities	4.818		2.109		4.888
Cash flow from investing activities	1.941		(944)		(540)
Cash flow from financing activities	172		(3.657)		(801)
Number of employees (end of year)	535	0	537	(7)	577

Negative figures are shown in parantheses

CONTENT



02	Three Year Summary
03	REALTECH Worldwide
06	Report of the Executive Board
12	Calendar of Events 2005
14	Shares
20	Corporate Governance
26	REALTECH on the move
28	/ The Market Environment
31	/ The Employees
34	/ The Alliances
36	/ The Future
46	Management Report
58	Consolidated Financial Statements
60	/ Consolidated Balance Sheets
62	/ Consolidated Statements of Income
63	/ Consolidated Statements of Cash Flows
64	/ Consolidated Statements of Changes in Shareholders' Equity
66	/ Notes to the Consolidated Financial Statements
91	/ Auditors' Opinion
92	REALTECH AG
92	/ Balance Sheets
93	/ Statements of Income
94	Report of the Supervisory Board
98	Group Addresses
99	Contact and Imprint
100	Financial Calendar 2006



KEEPING ON TRACK



Among SAP users, in particular, REALTECH's expertise in this field is considered to be path-breaking round the globe. And we are convinced that this unique selling point will also guarantee us a secure future beyond 2005. Discussions with customers and analysts from renowned market observers give us every reason to believe that our established focuses will continue to be right at the top of company IT agendas in the years to come.



5,42

03.01.05

REPORT OF THE
EXECUTIVE BOARD





REPORT OF THE EXECUTIVE BOARD



EXECUTIVE BOARD:

Jürgen Zahn
Chief Financial Officer

Nicola Glowinski
Chief Executive Officer

Dr. Rudolf Caspary
Chief Technology Officer

(from left to right)

Dear shareholders and business partners,

Fiscal year 2005 was a positive year for REALTECH AG in many respects. However, it was also a year in which important action has been taken to set our course, in which new opportunities and challenges have arisen for the company.

The market in which we operate continued to be extremely tense and subject to tough competition round the globe. In 2005, companies implementing and operating software, hardware and network technologies have paid more attention than ever before to

the associated costs and return on investment. At the same time, however, there has also been much stimulus for demand, bringing entirely new topics into the field of vision of IT decision-makers.

In anticipation of precisely these trends, REALTECH AG's Executive Board approached the year under review with the aim of profiling and modernizing the Group and its service portfolio in accordance with stringent business criteria. We wanted to use 2005 to lay the foundations for achieving profitable growth in both the short term and the long term. On the one



hand, we consistently continued what we had begun in 2004, subjecting all company levels to strict cost management and concentrating REALTECH's activities on its profitable business fields and market regions. On the other hand, in times of low market growth we consciously invested in developing new consulting competencies and software solutions with which we can occupy fast-growing, future-oriented markets – as a pioneer who utilizes his superior know-how to the advantage of customers. We wanted to make substantial progress in our process of maturing into a technology enterprise that companies from all sectors of industry engage as a strategic partner for their IT projects.

With self-confidence and confirmation that we have taken the right approach, we are able to look back on a fiscal year in which REALTECH AG has succeeded in achieving the goals it set itself. In fact, we have even been able to exceed many expectations – for instance with our six-percent revenue growth to EUR 50.1 million, with positive income from operations amounting to EUR 1.7 million, with a net income of EUR 1.1 million (positive again for the first time since 2002), and with earnings per share of EUR 0.22. Net cash and cash equivalents were up 21 percent, while cash flow rose from EUR 2.1 million to EUR 4.8 million. Even REALTECH's subsidiary in Italy, which had been operating with a deficit until recently, succeeded in restoring profitability. All of these are fundamental figures that demonstrate an extremely sound business development in a difficult market environment.

REALTECH's traditional core competencies were particularly in demand in 2005. Since the company was founded, we have successively established an increasingly good name for ourselves as a consulting specialist for the latest SAP technologies. Customers and partners appreciate REALTECH for its high level of employee qualifications, the reliability of its statements and actions and, last but not least, its way of working which leads to profitable IT projects and systems. For example, our software automates time-consuming tasks and processes in the computer center, enabling IT departments to reliably provide high-quality services despite their tight budgets. Moreover, in our core business field of consulting, we have developed outstanding expertise across the industry for optimizing and consolidating complex IT systems. We are readily available when it comes to transferring software environments to new infrastructures which are a great deal more affordable and more powerful. We are entirely familiar with the key technologies involved in ensuring consistently IT-supported business processes. We protect companies against performance deficits and unplanned downtime which might endanger revenue and customer satisfaction. We incorporate the latest SAP technologies and strategies into our customers' current IT environments without forfeiting the advantages of the existing IT infrastructures or neglecting future requirements for IT-supported business processes. In short, REALTECH ensures that companies can continue to reap the full economic benefits of their hardware and software with minimum investment and operating costs.





REPORT OF THE EXECUTIVE BOARD

Among SAP users, in particular, REALTECH's expertise in this field is considered to be path-breaking round the globe. And we are convinced that this unique selling point will also guarantee us a secure future beyond 2005. Discussions with customers and analysts from renowned market observers give us every reason to believe that our established focuses will continue to be right at the top of company IT agendas in the years to come.

We also consider our exceptional current position on the market for optimization and consolidation consulting to be proof of our exemplary flexibility as REALTECH anticipated that, following the end of the IT boom, IT organizations and projects would increasingly be measured based on stringent business criteria. As a result, we have been able to adjust our service portfolio in a far-sighted manner.

This extraordinary market proximity and ability to embrace change is perhaps the decisive strength of REALTECH AG – a strength which we have reinforced in many ways in 2005. For example, we have managed to strengthen our sales and distribution in German-speaking countries through a new partnership with Controlware GmbH. What's more, we have shown that we have the courage to make tough decisions to achieve profitable growth: Whereas the results of our Japanese subsidiary have been included in our balance sheet for the first time in fiscal year 2005, REALTECH Australia (which had been in deficit) ceased to belong to the Group following a management buy-out. This ability to actually change rather than simply wanting to change will continue to determine REALTECH's business policy.

Above all, however, REALTECH AG has pushed ahead with a development and qualification campaign which it began in 2004 and which makes the company a pioneer occupying a fast-expanding market – namely the transition from traditional IT systems to "service-oriented architectures" (SOAs), which our most important partner, SAP, enables us to achieve with its SAP NetWeaver integration platform and the Enterprise Services Architecture (ESA). All the well-known experts are now convinced that companies will have to invest in this fundamental technology transformation in coming years if they want to remain competitive.

REALTECH made SAP NetWeaver the center of all of its activities in fiscal year 2005. We have been – and still are – directly involved in the development of this platform. We have held in-depth discussions with customers to analyze their specific requirements for SOA projects. We are actively recruiting highly qualified graduates and specialists who are keen to take on the challenge of SAP NetWeaver projects. Many of our consultants have already undergone training and achieved premium certificates relating to the new technology. Moreover, we have organized an effective process for sharing expertise on this issue across sites. As a result, we now present ourselves on an international scale as an IT supplier able to aid com-



panies in all aspects of converting to the SOA model. We intend to specifically build on this superior knowledge in the years to come.

We anticipate that this leading role in a fairly new, future-oriented market will boost our profitable growth. After all, experts predict that SAP will increasingly rely on collaboration with selected partners in SOA projects. There is no doubt that REALTECH is such a partner, as is confirmed by its inclusion in several exclusive partner programs relating to SAP NetWeaver.

Most importantly, however, converting to SOA involves extremely challenging major projects. So, as an expert in SAP NetWeaver, our Group is clearly becoming a consulting partner who offers not only technical expertise but also strategy consulting from a single source. This is crucial for the success of our process of maturing into a significant player in particularly lucrative and high-margin segments of the global IT market. What's more, this should pay off in 2006 as we expect our revenue increase for the current fiscal year to be a high one-digit figure. As for the Group's income from operations, we anticipate an increase of slightly over ten percent.

The pleasing business results in 2005 and the strengthened market position of the REALTECH Group are attributable to many different parties. Customers, partners, employees, and shareholders have all played a role in the substantial growth that our Group has recorded in the year under review. REALTECH AG has matured to become a company that appreciates the dynamic nature of the IT market and of specific customer requirements. Thanks to this key quality, we believe that we are in an excellent position to reward your trust in the long term.

Warm regards,
Your Executive Board

Notizen

In Erwartung eben dieser Trends hier der
Wirkung der REALTECH AG der Berichtsjahr
mit dem Ziel abgegrenzen den Konzern und
sein Leistungsportfolio unter Maßgabe
strikter betriebswirtschaftlicher Kriterien
zu profilieren und zu modernisieren.
Wir wählen 2007 die Grundlagen schaffen,
um sowohl kurzfristig als auch auf lange
Dauer profitabel zu wachsen. Zum einen
haben wir eine Konzernstrategie mit
wir 2004 begonnen hatten. Alle Unternehmen
einzelnen Standen unter dem Diktat
einer strikten Konzernmanagement.
über wurde REALTECH auf die
Wachstumsstrategien.



CALENDAR OF EVENTS 2005



JANUARY



At the beginning of the new fiscal year, REALTECH AG takes a clear step towards boosting profitability and shareholder value: Effective as of December 31, 2004, the Group sells its Australian subsidiary on January 18, 2005 as part of a management buy-out. In accordance with US-GAAP, REALTECH will in the future treat the previous subsidiary as a discontinued operation. This means that the contribution of REALTECH Australia must be retrospectively eliminated from the business results for 2003 and 2004.



FEBRUARY



REALTECH AG wins Controlware GmbH, a leading systems integrator, as a sales and distribution partner for its software. Controlware has a nationwide network of branches providing business clients with comprehensive IT services. In connection with its cooperation with REALTECH, Controlware is marketing the family of theGuard! products in Germany, Austria, and Switzerland.

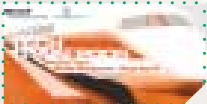


MARCH

With a view to securing in-depth consulting expertise for technically complex SAP projects, REALTECH AG launches a two-stage qualification initiative: As part of a trainee program, college graduates with job experience embarking upon a career with REALTECH can enjoy intensive practical training on topical issues in the consulting business. In addition to this, the Group ensures that its entire team of consultants undergoes ongoing further training and certification focused on future-oriented topics.



APRIL



REALTECH AG teams up with Microsoft to launch a new series of events called TechTrain. The aim is to inform decision-makers from business about the latest technology issues and provide them with exemplary practical examples from the world of SAP

and Microsoft. TechTrain is based on an innovative event concept, which combines targeted know-how transfer with the atmosphere of extraordinary event venues. For example, the first two events are held in the car and technology museum in Speyer and in the Bochum Starlight Express musical house.



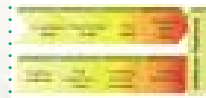
MAY



Concentration on what is essential can also be seen at management level. Following a resolution by the sixth regular General Meeting, REALTECH AG reduces its Supervisory Board from six to three members. One of the members to resign from his position is REALTECH co-founder Peter Stier.



JUNE



REALTECH AG has translated its SAP NetWeaver project experience into a reusable implementation model with best practice qualities: A newly developed four-phase plan provides companies with the necessary tool to plan and carry out a reliable and systematic implementation of the increasingly popular integration platform. REALTECH is thereby allowing for the fact that SAP NetWeaver usually requires radical changes to existing IT infrastructures. The sound master plan reflects significant competitive advantages: As a Global Technology Partner, REALTECH becomes involved in the latest SAP topics at an early stage and set up an SAP NetWeaver Competence Center of its own as early as 2003.

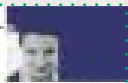


JULY

REALTECH AG's new Chief Financial Officer (CFO), Jürgen Zahn, takes on his new responsibilities on July 18, 2005 and is superseding Michael Knopp, who left the company at his own request in April. With the appointment of the 45-year-old Jürgen Zahn (who holds a master's degree in business administration) the company has now concluded the restructuring of

its management. Jürgen Zahn has many years of international experience in leadership positions. His previous posts include working at FHJ AG and the ASCOM Group with responsibility for corporate finance, controlling, investor relations (IR), human resources, and administration.

AUGUST

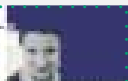


SPECIAL EXPERTISE PARTNER

SAP appoints REALTECH AG to the group of Special Expertise Partners for the SAP Exchange Infrastructure. The leading manufacturer of enterprise software worldwide only grants this special seal of approval to ten IT suppliers on the German market. The title is based on a tough selection procedure and is used to dignify only partners who demonstrate excellent skills and substantial experience in the SAP environment and achieve a very high degree of customer satisfaction.

From the first steps through to certification – this is the motto followed by REALTECH AG in extending its range of training seminars related to SAP NetWeaver. Intensive courses have been added to the program, aimed especially at companies wanting to progressively make use of this adaptable integration platform. All the introductory, intermediate and advanced seminars in the new training offering had already been demonstrated to be efficient and practical in the context of internal further training for SAP consultants.

SEPTEMBER



SPECIAL EXPERTISE PARTNER

SAP appoints REALTECH as a Special Expertise Partner in another category: This distinction and supplier recommendation, reserved only for a few select partners, is also awarded to the Group for its consulting expertise and experience with regard to the SAP Enterprise Portal. The partnership status for this solution from the SAP NetWeaver range is primarily based on numerous successful customer projects.

OCTOBER

REALTECH AG is given top marks by its most important critics, namely its customers. The results of the latest customer satisfaction survey are available and confirm that the Group is heading in the right direction as more than 90 percent of participating companies are satisfied with the services provided by REALTECH consultants.

NOVEMBER



dm drogerie markt

Europe's leading drugstore chain opts for software technologies from REALTECH: dm-drogerie

markt implements the theGuard! system management solution for the purpose of constantly monitoring an enterprise resource planning system for around 1,650 stores, three national logistics centers, and a central SAP R/3 and Data Warehouse system. Making this investment enables the company to specifically minimize downtime and response times for all success-critical software applications.



Nordzucker

With REALTECH as its technology consultant, Nordzucker has

managed to successfully change over an important Internet offering to SAP NetWeaver Enterprise Portal: Based on extensive load testing, the consultants took specific optimization measures to ensure that the food manufacturer's agricultural portal makes optimum use of available system resources. As a result, Nordzucker now benefits from the certainty that the online service, used by 2,000 partners, will be available with user-friendly performance even when accessed by a very large number of users simultaneously.

DECEMBER

REALTECH AG presents the first zero downtime procedure for SAP systems. Using this service, one of a kind worldwide, changes can be made to business applications without this leading to downtime. This greatly reduces the economic risks involved in such undertakings. In the past, companies had had to accept an SAP system being unavailable for up to 24 hours during an upgrade or migration.

TAKING THE INITIATIVE



REALTECH AG's plans for 2006 include taking the initiative and intensifying/ expanding its investor relations activities. More so than in the previous year, the company will actively seek discussion with financial market players and plans to increasingly communicate the Group's strategies, strengths and prospects in direct contact with investors.



6,55



08.02.05

SHARES





SHARES



The stock market in 2005 – Dax reaches four-year high

The year 2005 brought an unexpectedly positive development for German shares as, at a closing value of 5,408 points on December 31, 2005, the Dax recorded a clear increase of 27 percent on the figure at the beginning of the year. At the same time, the central index based on the 30 top German shares reached its highest value for a good four years. This means that the previously rather skeptical forecasts of many analysts did not become reality. A year ago, in view of rising interest rates, exorbitantly high oil prices, and a sluggish economy, financial experts had warned that German companies would have to decrease their profit targets on a large scale. However, the opposite has occurred, with share prices particularly being driven upwards in 2005 by the increased profitability of many corporate groups.

One thing that is remarkable is that the development of the Dax in the year under review has been relatively unaffected by data from the United States. After all, the S&P 500 only gained four percent in 2005. In contrast to the situation in the past, the index covering the largest US stock corporations therefore hardly influenced the progress of German share prices at all. German shares have particularly benefited from the eagerness of international investors to buy.

Likewise, the increased interest of foreign investors also boosted the second-line indices MDax and TecDax, which gained 36 percent and 15 percent respectively over the course of the year. The prices in other European countries rose much more than those in the US, too. For example, the Stoxx index recorded an increase of a good 21 percent in 2005. Among the significant European stock markets, only those in Switzerland and Sweden reported higher growth than the German market.

One key factor involved in the recovery of the German and European stock markets in the year under review was that the share prices of numerous listed companies at the beginning of 2005 did not realistically reflect the real fundamental values of these companies. Based on this situation, the prices were gradually corrected over the course of the year. Moreover, a large number of listed companies were able to conclude restructuring measures they had begun in previous years and adjust their balance sheet figures accordingly. At the end of May, the share prices of German companies were also given a boost by the surprising announcement of premature elections for the Bundestag. Hopes of radical economic reforms provided many investors, both in Germany and abroad, with an incentive to invest more in German shares again.

The mood among leading stock market analysts is again predominantly positive with regard to 2006, with most experts anticipating further increases in the prices on European stock markets. According to forecasts, the Dax is set to temporarily rise above the 6,000-point mark and end the year substantially up on last year's figure. However, it is to be expected that several factors will have a detrimental effect on the prospects for German and European stock markets. The reason for this is that many analysts expect interest rates to continue rising, the dollar price to fall, and the general growth of the global economy to slow down.



6,65



17.02.05

30 percent rise: price performance and market capitalization

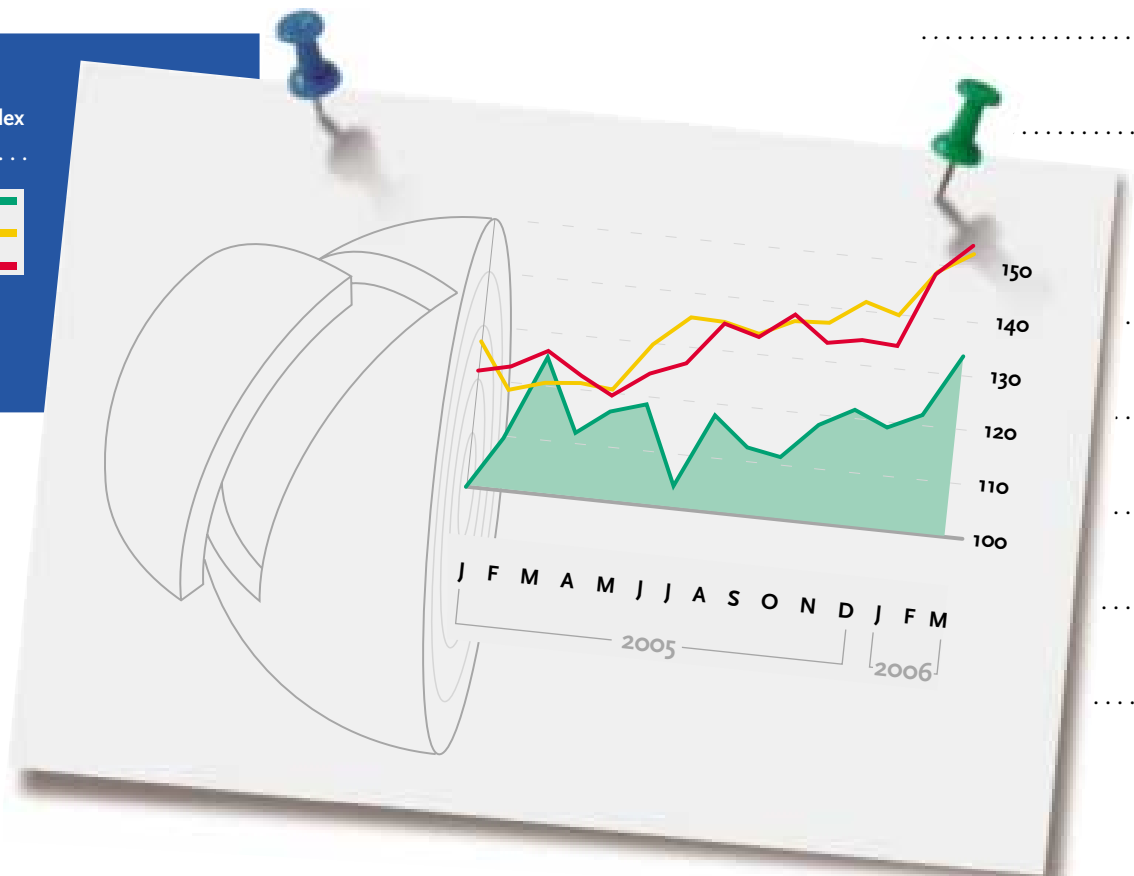
The price of shares in REALTECH AG performed extraordinarily well for a German technology share in fiscal year 2005, increasing from EUR 5.30 on December 31, 2004 to EUR 6.89 at the end of the year under review. This 30 percent rise is clearly higher than the growth rate recorded by the TecDax. Based on a comparison of key dates, REALTECH AG's market capitalization increased from EUR 27 million to EUR 35 million on December 31, 2005, corresponding to 80 percent of book equity. This proportion had amounted to 64 percent at the end of 2004.

The annual low of the REALTECH share was already recorded at the beginning of January 2005 – at a price of EUR 5.38. This means that not once during the year under review did the share fall below its end of

2004 price. Up to mid-February, the share price rose consistently to EUR 7.33, thereby outperforming the Prime Software Index for the first time in around eleven months. Over the following five months, the share price stagnated with a slight downward trend. The performance of the REALTECH share price was greatly boosted by the publication of the business figures for the second quarter on July 22, 2005, recording a substantial increase over the subsequent two weeks before declining again slightly up to mid-October. Again, it was the presentation of quarterly results, on October 25, 2005, that caused the share price to rise after that. Reaching its annual high of EUR 7.48 on November 22, the share price then decreased a little again.

Share price index

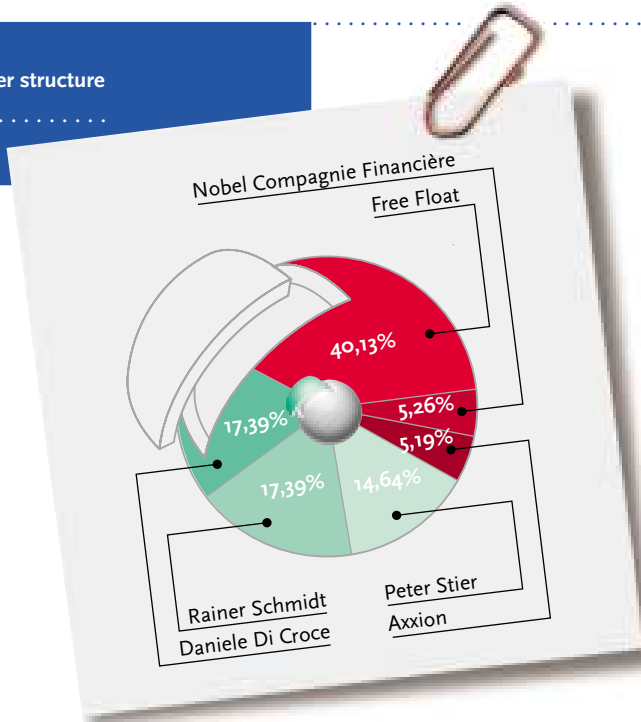
- REALTECH share
- Prime Software
- TecDax





SHARES

Shareholder structure



Shareholder structure and trading volume

The shareholder structure of REALTECH AG essentially changed in fiscal year 2005 with regard to two positions. In February, the interest held by REALTECH co-founder Markus Adam fell below the 5-percent limit for compulsory disclosure in accordance with Section 21, Paragraph 1 of the WpHG (Securities Trading Law). In contrast, Luxembourg-based Axxion S.A. reported at the end of June that it held 5.19 percent of voting rights. REALTECH AG's free float on December 31, 2005 amounted to 40.13 percent.

The fact that trading volume continuously increased in the year under review reflects not only the general improvement in the economic climate but, most importantly, also the improved overall situation of REALTECH as the average number of the Group's shares being bought and sold each day increased to 12,957 shares – up 30 percent on the figure of 10,003 shares in 2004.

Yet again, the majority of trading in REALTECH shares was carried out on Xetra (63.6 percent compared to 73.9 percent in 2004). Other stock markets accounted for 36.4 percent.

At its sixth regular General Meeting, held in Walldorf in May 2005, REALTECH AG welcomed around 180 stockholders and guests. Those present represented a good 56 percent of the entire stock capital. All decisions regarding the items on the agenda met with the clear approval of the committee. This was particularly true of the decision to reduce the Supervisory Board from its previous six members to just three members. There were also clear majorities for the annual financial statements, the report of the Supervisory Board, the approved consolidated financial statements, the summarized management report, giving discharge to the members of the Executive and Supervisory Boards, and the choice of auditor.

The Group's Executive and Supervisory Boards continue to view the REALTECH share as an investment that is equally attractive for both private and institutional investors. This assessment is based on the substantial improvement of the income situation over the course of the year under review, not to mention a consistently sound balance sheet with excellent figures for net cash and cash equivalents and the equity ratio. On top of this, REALTECH has a great market position with huge potential for growth.

The continued commitment of REALTECH AG towards exemplary communication with all existing and potential investors is expressed by its active membership of Deutscher Investor Relations Kreis e.V. (D.I.R.K.). For years, this professional organization has been one of the key players involved in establishing professional and trustworthy communication between listed companies and the capital market throughout Germany.

REALTECH AG's plans for 2006 include taking the initiative and intensifying/expanding its investor relations activities. More so than in the previous year, the company will actively seek discussion with financial market players and plans to increasingly communicate the Group's strategies, strengths and prospects in direct contact with investors.



Key figures

	2005	2004
	EUR	EUR
Earnings per share	0,22	(0,35)
Cash flow per share	0,95	0,41
Shareholders' equity per share	8,59	8,33
Highest share price	7,48	8,38
Lowest share price	5,38	4,22
Share price at year end	6,89	5,30
Market capitalization at year end	35 million	27 million
Number of shares at year end	5.092.452	5.092.452

Basics

Market segment	Prime Standard
Date of issue	26. April 1999
ISIN	DE 000 700 890 6
Exchange ID	RTC
Issue price	54,00 EUR

Shares and stock options of the issuer and members of executive bodies as of December 31, 2005

Issuer	
REALTECH AG	– treasury stock
Executive Board	
Dr. Rudolf Caspary	45.750 stock options
Nicola Glowinski	55.000 stock options
Jürgen Zahn	30.000 stock options
Supervisory Board	
Dieter Matheis	– shares
Richard Roy	– shares
Norbert Schwerber	– shares



In view of the fact that clear communication is a key factor in using 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 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.



ACCEPTING CHALLENGES

6,37



07.03.05



CORPORATE
GOVERNANCE





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 stockholder interests, as well as open and transparent corporate communication.

The aim of the German Corporate Governance Code, initially published in 2002 and extended in May 2003 and June 2005, 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. In as much, 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 only the company is responsible for implementing the code. Co-determination of stockholders is also necessary and they are involved in fundamental decisions of REALTECH AG at the General Meeting. This also 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 stockholders. This body is free to organize committees to focus on specific issues. The company started the year 2005 with an accounting audit committee and personnel committee. 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 AktG (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 Principles (US GAAP). As for its annual financial statements, REALTECH AG follows the rules of the HGB (German Commercial Code).

An independent auditing company verifies both financial statements. The auditor is selected by the Annual General Meeting in accordance with the AktG (German Stock Corporation Act). The account auditing committee issues the audit assignment, defines the points on which the audit is to focus, and determines the audit fee.

More detailed information about 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 using 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 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 Annual General Meeting can be found under Company – Investor Relations – Financial Calendar at www.realtech.de/investors 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.

Risk management

The risk management system, part of the company's overall planning, control, and reporting process, 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.

For example, 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 relevant section, "Risk management", of the Management Report.

Compulsory disclosure of directors' dealings

Following the enactment of the Finanzmarktförderungsgesetz (Fourth Financial Markets Promotion Act) on July 1, 2002, supplemented by the Anleger-schutzverbesserungsgesetz (Investor Protection Improvement Act) dated October 30, 2004, individuals who perform management tasks in the company have been obligated, in accordance with Section 15a of the Wertpapierhandelsgesetz, WpHG (Securities Trading Law), to report their own dealings in REALTECH AG shares to the Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin (Federal Financial Supervisory Authority) within five working days. In addition, appropriate securities transactions by others – above all 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 1 percent of the shares issued by the company. On the editorial deadline of February 2006 for this annual report, REALTECH AG had no transactions that required reporting.



CORPORATE GOVERNANCE



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 Section 161 of the AktG (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, and the third on November 25, 2004, based on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 of the AktG (German Stock Corporation Act). REALTECH published its fourth, and so far its last, compliance declaration on November 25, 2005 with the following wording:

“REALTECH AG complies with the recommendations of the Government Commission on the German Corporate Governance Code (dated June 2, 2005) with the following exceptions:

No suitable deductible has been agreed to date for the D&O insurance agreed for the Executive Board and Supervisory Board (Section 3.8, Paragraph 2 of the code).

Reason: No deductible has yet been agreed for the existing D&O insurance for the Executive and Supervisory Boards. We believe that agreeing a deductible would not improve the motivation and sense of responsibility with which the members of the Executive and Supervisory Boards of REALTECH AG go about the tasks and functions assigned to them. In addition, this insurance focuses on safeguarding the company's essential own risks, not on 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.

In connection with the variable remuneration components in the form of stock options and comparable schemes, no cap has been agreed by the Supervisory Board for two Executive Board members with regard to extraordinary, unforeseen developments (Section 4.2.3, Paragraph 2 of the code).

Reason: This involves variable remuneration components promised to the two Executive Board members at a time when they worked as managers of the German subsidiary and before they were appointed to the Executive Board. Variable remuneration components agreed afterwards contain a cap for extraordinary, unforeseen developments.





Insider trading rules

Up to now, remuneration of members of the Executive Board and Supervisory Board has not been disclosed individually in the notes of the company's consolidated financial statements (Section 4.2.4 and Section 5.4.5, Paragraph 3 of the code).

Reason: As the Executive and Supervisory Boards see it, specifying the individual remuneration of each individual member of the Executive Board or Supervisory Board does not provide a suitable foundation for assessing the appropriateness of the remuneration for the Executive Board's joint responsibility for company management or for the Supervisory Board's task as an overall body to monitor the Executive Board's management.

Members of the Supervisory Board do not as yet receive performance-based remuneration (Section 5.4.5, Paragraph 2 of the code).

Reason: The Executive and Supervisory Boards consider remuneration connected to the company's success not to be conducive to the legally required function of the Supervisory Board as an independent monitoring body and the associated necessary neutrality of interests."

Trading in REALTECH shares is subject to the rules of the Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin (Federal Financial Supervisory Authority). 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 derivatives function in accordance with the WpHG (German Securities Trading Act). This forbids the use of insider knowledge or unauthorized spreading 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 WpHG, REALTECH AG keeps lists of individuals who work for the company and who have access to insider information in accordance with the regulations. REALTECH updates the lists without delay 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 associated with infringement.



REALTECH
ON THE MOVE



6,02



04.04.05

MOVING TOWARDS MATURITY



Aiming to maximize shareholder value, REALTECH has transformed itself from a specialist for technical SAP expertise to a strategic consulting partner for the most business-critical IT projects. It is now time to reap the fruits of this maturation process, together with employees, customers, and shareholders.





REALTECH ON THE MOVE

THE MARKET ENVIRONMENT

Optimism round the globe

The market in which REALTECH operates is extremely sensitive to the ups and downs of the economy as a whole. The national business climate and the global economy have a huge effect on the leeway that companies and public authorities have with regard to IT expenditure. Moreover, in conjunction with the objectives of technical innovations, they determine the areas on which these investments focus. Bearing this in mind, REALTECH AG anticipates a fiscal year in which the growth impetus experienced in 2005 will become even more dynamic. After all, various experts – from market research analysts and financial analysts to major banks and the International Monetary Fund (IMF) – are very optimistic about the year 2006. For example, the IMF expects the global economic growth rate to amount to 4.3 percent, as in the year under review.

All the forecasts concur that the US economy is a key factor in worldwide recovery. With a GNP growth rate of 3.5 percent in 2005, the US economy proved to be the driving force behind the global economy – especially thanks to the strong private consumption which proved resilient in the face of natural catastrophes and higher oil prices. As for 2006, experts all predict that the economic boom in the USA will slow down slightly due to restrictive monetary and fiscal policy. Nevertheless, this is no reason for REALTECH to be concerned as the US economy is still set to record clear growth in 2006, sending out positive signals to REALTECH AG's key markets.

China has emerged as the second pillar of growth in the global economy. In the reporting year of 2005, the 9.3 percent growth rate of the People's Republic was, amongst other things, able to instill new momentum into Japan's ailing economy. Experts expect the Chinese economy to grow at a similarly high rate of around 8.5

percent in 2006 and to continue to inject growth into the Asian region as a whole. Japanese gross domestic product increased by a good two percent in 2005 and a growth rate of three-percent plus is a real possibility in 2006. In anticipation of this, REALTECH AG has expanded its team of consultants and increased its sales and distribution presence in the Far East and is consequently in an excellent position to reap a disproportionate share of the benefits created by regional growth. Having been successful in Singapore, the Group has now also established a high-performing subsidiary in Tokyo.

Upturn in the European Economic Area

However, the crucial factor for the overall demand for REALTECH products and services has traditionally always been economic development in the European Economic Area where growth is set to pick up again in 2006. The correction made to the euro exchange rate at the beginning of 2005 has substantially strengthened the euro zone: the measure has directly stimulated exports, with the result that an upturn could be seen as early as the second half of 2005. What's more, this is expected to endure as specialists expect 2006 to be the first year since 2000 in which the euro economy grows by more than two percent.

Experts also anticipate economic recovery – at least temporarily – in Germany. These predictions are based on a further increase in exports as well as growing optimism among medium-sized companies with regard to investments and employment. As a result of the increase in VAT announced for 2007, companies and private households are tending to bring forward major expenditure. Many sectors of industry also hope that the soccer World Cup to be held in the country in the summer of 2006 will lead to important, and in some cases permanent, momentum. As a result, the German Institute for Economic Research (DIW) has marked up its forecast for economic growth in the Federal Republic in the year 2006 from 1.5 percent to



1.7 percent. However, this is expected to be merely a temporary high and there are fears that the figures for 2007 could be considerably less satisfactory. A sustained easing up of pressure on the job market is not therefore expected.

To sum up, experts agree that the longest growth phase in the global economy since the 1970s is set to continue in 2006. Growth rates should remain pretty similar to those in previous years. However, there may be various stumbling blocks for the anticipated global economic recovery – including rising oil prices, disruptions on foreign exchange markets, falling property prices, political conflicts in the Middle East, and terrorist attacks.

The industry – continued recovery of IT demand

In view of this lasting positive economic development, the global IT industry also has every reason to be more optimistic about the future. In recent decades, companies offering hardware, software, and services relating to IT implementation have experienced regular phases of boom and bust. Since 2001, the IT budgets of many companies and public authorities have suffered substantial cuts on an international scale. However, business figures for 2005 and forecasts for 2006 make it quite clear that this period of low demand has been overcome.

Although a return to double-digit growth rates in the future remains utopian, leading industry analysts in the increasingly mature industry are predicting that there will be healthy and stable growth for the foreseeable future. According to estimates of the market research institute IDC, IT investments worldwide are likely to increase by an average of 5.9 percent annually by the end of 2009 – from USD 1.06 billion in the year under review to an expected figure of USD 1.34 billion. These investments are expected to continue to be mainly attributable to public authorities, production plants, and financial service providers. However, the highest growth rates for IT suppliers are likely to be recorded in the areas of the media, communication, and health.

Experts anticipate substantial signs of market recovery to be seen already in 2006. Analysts at Experton and IDC believe that IT expenditure will rise by more than five percent, while Gartner forecasts a slightly more moderate increase of three percent. German companies are also expected to show a greater propensity to invest. In fact, REALTECH AG's domestic market mirrors general global developments in most respects and experts from IDC predict that the German IT sector will grow by 4.5 percent in 2006. Other observers such as the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien (Federal Association for Information, Telecommunications, and New Media) are slightly less optimistic. What everyone agrees on is that, following some rather meager years, light is now appearing on the IT horizon. The German software and service market is expected to enjoy strong growth in the foreseeable future – with growth rates which may be below the European average but which leave other branches of business and industry in Germany standing.

Central challenges – consolidation, optimization and compliance

Something that is particularly positive for REALTECH AG is that, in Germany and all of the company's other core markets, the current and future focuses of IT investments are exactly in line with the strengths of the company's own consulting expertise. The reports of leading industry analysts unanimously indicate that all essential IT initiatives today and in the years to come will revolve around one central challenge, which essentially involves systematically increasing the positive contribution of IT towards profits. This is primarily being achieved by rationalizing established systems, as well as through innovation projects which restructure entire IT infrastructures in order to dynamically adapt to changed competition conditions. In all of these areas, REALTECH is able to benefit from superior knowledge, demonstrated by certified consulting services and countless successful customer projects.



REALTECH ON THE MOVE

The main concerns of IT managers in 2006 and 2007 will be familiar challenges which belong to the traditional core competencies of REALTECH AG. In hardware and software projects already underway, profitability is right at the top of the list of priorities, with companies requiring clear evidence of return on investment at an early stage. In many cases, classic cost-cutting strategies still play a key role. Hoping to achieve a lasting decrease in operating costs, companies are paying particular attention to the consolidation and standardization of systems. Moreover, an emphasis is also being placed on integration and optimization projects – in other words on measures which are especially suited to getting ERP (Enterprise Resource Planning) systems in shape for consistent and error-free software-supported processes with short response times.

According to forecasts by market researchers such as Forrester Research and Experton, companies will pay more attention to approaches which tailor all IT systems, processes, and priorities to meet business requirements. This also explains the growing interest in "compliance" – in other words, the increasing demands on IT to implement various regulations all the way along the line from development to live operation. This may involve legal specifications, such as Basel II, or internal process standards, such as ITIL (IT Infrastructure Library) which revolve around quality assurance and increased efficiency. For example, analysts from Gartner have reached the conclusion that, by 2010, compliance expenditure will increase twice as fast as investments in new technologies.

Trend – transition to service-oriented architectures

Nevertheless, market observers anticipate that increasing innovative pressure will build up as early as 2006, quickening demand for premium consulting services. This is based on the realization that no company will remain competitive if its IT experts merely take care of cost control, security, and quality.

Instead, IT must effectively help a company to expand even when faced with fast-changing competitive conditions. Flexibility will not only be one of the main IT issues for IDC in the year 2006. Important trends include the convergence of communications networks, the consistent opening of systems for mobile access, and the changeover to service-oriented architectures (SOAs).

Surveys show that more than half of companies are looking into the issue of SOA in some way. Although many initiatives are still at an early stage, they are rapidly becoming a great deal more relevant. Gartner estimates that around 80 percent of all new development projects will be based on SOAs by the year 2008. This is reassuring for REALTECH as such undertakings go a lot further than other projects such as the implementation of a customer relationship management (CRM) application. After all, SOAs represent a radical redesign of the IT processes and infrastructures that have developed over many years, transforming all software processes into services which can be combined as required pretty much with a simple mouse click and which can be made available throughout a company – similar to variant and just-in-time production in the automotive industry. Accordingly, there is a huge need for a wide variety of consulting services. In-depth practical knowledge of SOA technologies such as SAP NetWeaver and the Enterprise Services Architecture (ESA) is just as much in demand as strategy definition consulting. REALTECH already offers both from a single source.



THE EMPLOYEES

Competence on the move

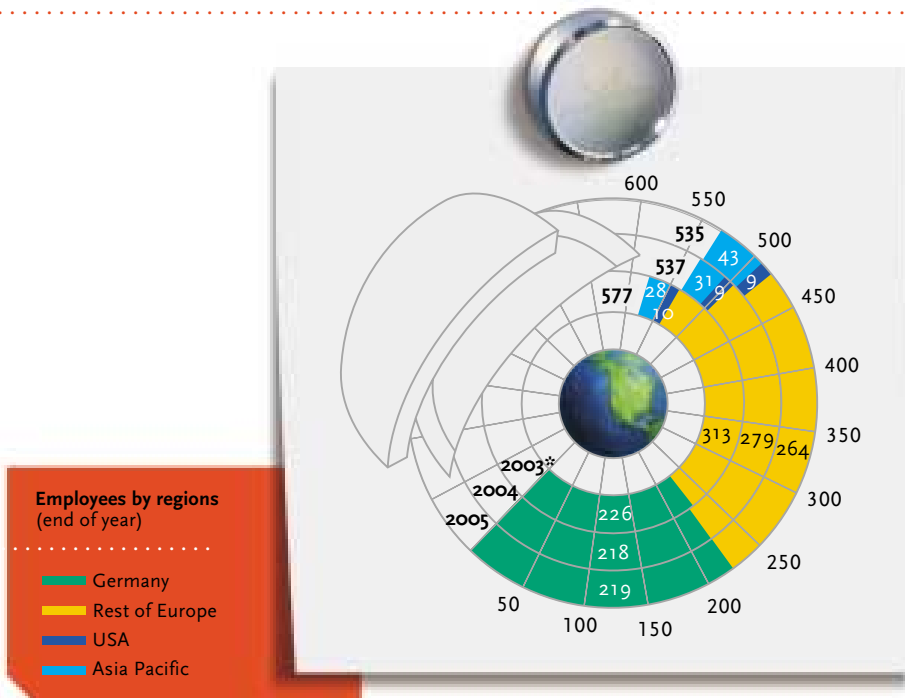
The statement that a company's most valuable capital is its employees has been heard – and misused – so often that it now sounds like little more than a hackneyed truism. Yet REALTECH is convinced that simple truths remain precisely that, no matter how often they are repeated. The Group therefore continues to rely on targeted, global personnel management. This is based on the knowledge that, especially in the company's core business field of consulting, it is the expertise of employees that secures REALTECH's market position as a trustworthy architect of change and gives the company a clear competitive edge. The extensive project experience of the company's consulting experts and their certified qualifications relating to the latest technologies make REALTECH the ideal strategic consulting partner for demanding IT projects.

In fiscal year 2005, REALTECH again implemented numerous measures aimed at strengthening these competencies. The measures included investments in new talent in order to stay ahead in terms of know-how in the long run, as well as qualification initiatives relating to innovative technologies which are likely to

be of particular interest to customers in the foreseeable future. The focus here is on strategic consulting skills that generate substantial value.

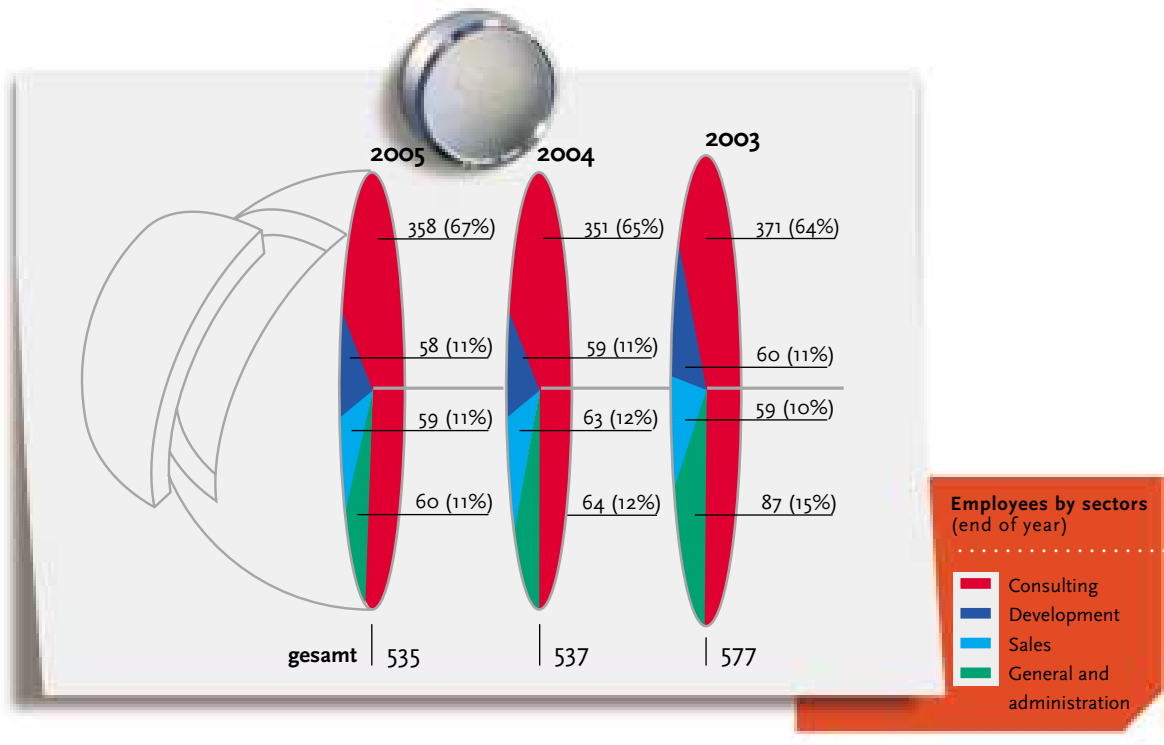
Simply looking at the figures does not give you much of an idea of the dynamic change taking place in the company. The number of people employed by the Group remained practically unchanged over the course of the year under review. REALTECH AG had 535 employees worldwide on December 31, 2005 – which is only two fewer than twelve months previously. The number of employees in Germany also remained constant with 219 (previous year 218), with slightly less than 60 percent of the staff working at international sites.

However, the human resources growth at foreign subsidiaries clearly shows that REALTECH is still very much on the move and is consciously changing its orientation. For example, the Group responded to some very different, sometimes contradictory, market developments in important countries in fiscal year 2005. REALTECH Italia continued restructuring, reducing its staff by a substantial 18 percent to 151 employees. In the meantime, the company's Spanish





REALTECH ON THE MOVE



subsidary increased its number of employees by 25 percent to 96 people. Moreover, the Group even built up its team of consultants and sales employees in the Asia-Pacific market region by 39 percent to 43 – above all in conjunction with REALTECH Japan, which is being included in accounts for the first time in the year under review. Largely unchanged employee numbers based on a comparison of the respective key dates are reported by the subsidiaries in Portugal (17) and the USA (9).

The fact that REALTECH has reversed its previous trend in the year 2005 is also substantiated by the human resources figures for the individual business fields as consultant numbers rose again for the first time year-on-year since 2001. On December 31, 2005, the Group employed 358 consultants worldwide – seven more than at the end of 2004. This meant that 67 percent of all employees worked in the company's most important and most profitable business area. Whereas software development, with 58 employees, continues to make up around eleven percent of the total number, REALTECH enforced cuts of around six percent each in two other areas.

Increased concentration of the product portfolio led to a staff cutback to 59 employees in sales and distribution, while the administrative staff was reduced from 64 to 60 employees as a result of completed restructuring measures.

Class rather than mass

The IT job market is recovering. According to forecasts by the Bitkom (the federal association for the industry), the recent positive sales growth in Germany should also be reflected in employment statistics in 2006 at the latest. This trend was already felt by REALTECH during the year under review as its thematic strengths in the consulting business fell precisely in line with the main areas in which customers are investing. Examples include IT optimization and the implementation of the new NetWeaver technology from SAP.



Although it may seem paradoxical in view of the high unemployment figures – especially in the company's home market of Germany – companies such as REALTECH are currently finding it extremely difficult to find employees with the necessary qualifications. This is because, despite the apparently large workforce to choose from, there is a lack of suitable experts for the future-oriented restructuring of IT systems. There are simply not enough consultants who have both up-to-date product know-how and strategic consulting skills. Unwilling to tolerate this bottleneck, REALTECH AG took the initiative in the year under review and launched a two-stage qualification campaign that should enable the Group to fully exploit its significant growth potential in the consulting business.

Training as a top priority

As part of its new trainee program, named YPS (Young Professional Startup), REALTECH is purposefully introducing young applicants to the latest consulting issues. Those participating can benefit from intensive practical training from experienced consultants. The main question addressed in all the courses is how projects relating to SAP NetWeaver can systematically be made a success. Aiming to draw maximum economic benefits from this know-how transfer between generations, the company applies tough selection criteria: The YPS program is only open to college graduates who have a degree in business data processing, computer science, the natural sciences, or engineering and have already gained IT career experience in clearly defined fields.

In addition, REALTECH continues to use its established education and further training program, REAL-Education, to ensure that its existing consulting team is also qualified to tackle future issues. In 2005, the Group developed six clearly outlined employee profiles, based on current customer requirements, with a view to enhancing the expertise of consultants with clear objectives to meet market needs. In each of these fields of operation, regular training measures are taken so that REALTECH can continue to live up to its claim of providing innovative, well-founded consulting services in technically complex and demanding IT

projects. In conjunction with REAL-Education, the Group is also making a major investment in the certification of employee expertise. After all, consulting performance validated by the relevant manufacturers obviously gives the company an effective competitive edge when it comes to winning the trust of potential customers and being accepted in lucrative partner programs.

REALTECH has also taken other measures that demonstrate its courage with regard to extraordinary qualification initiatives, something that pays off equally in both the short term and the long term. In its "Share Friends" program, the human resources management counts on the ability of its own employees to inspire the interest of suitable and motivated up-and-coming professionals in REALTECH. Bonuses are awarded to those who successfully engage talented people. Moreover, a series of events named REAL-Flash is successfully promoting internal knowledge transfer across sites and departments through regular seminars on particularly topical issues.

Last but not least, REALTECH AG has effected a far-reaching reorganization of its consulting team over the course of the year under review, thereby clearly setting the Group's IT expertise apart from that of competitors. Since May 2005, all of the company's 350-odd consultants have been assigned to a competence center (of which six have been set up so far). Each competence center reflects one core competency of REALTECH: IT strategy consulting, SAP Exchange Infrastructure (XI), SAP Enterprise Portal (EP), SAP Business Intelligence (BI), IT optimization, and IT operation. Initial experiences with this model indicate that REALTECH will be in an even better position in the future to quickly and flexibly find people with the right expertise for new consulting areas and guarantee a high degree of customer satisfaction in all projects.



REALTECH ON THE MOVE

THE ALLIANCES

Superior knowledge for change

Uncompromising autonomy and agility, with no dependence on other software and hardware manufacturers who could distract the company's attention from the best possible customer solutions – these are the key qualities that really set REALTECH AG's consulting services apart from the offerings of many competitors. Moreover, this lays the foundations for trusting customer relations – because companies relying on REALTECH know they have a consulting partner at hand able to consider the wide range of available information technologies and select the products which will best meet their needs and requirements.

REALTECH has always attached importance to close collaboration with numerous significant players from the global IT industry. In fact, partnerships take a central place in the company's business model. The entire solution portfolio revolves around customers being able to draw maximum economic benefits from their investments in business applications, hardware, and networks. This makes it all the more important to have a direct line to the manufacturers of these technologies, something which REALTECH AG has successfully achieved – in particular by taking part in exclusive partner programs.

Preferred partner

REALTECH's most important cooperation partner is traditionally SAP AG, which is the global number one among manufacturers of enterprise software and is headquartered in direct proximity to REALTECH's head office. SAP dominates the market for business applications in German-speaking countries in particular. Nevertheless, the manufacturer is also one of the key software suppliers in the regions served by the other REALTECH companies. In short, the success of the majority of REALTECH AG's existing and potential customers stands or falls with SAP applications. For

this reason, the objective of many REALTECH products and services is to maximize the performance and functional quality of precisely these applications. There is no risk involved in this closeness as SAP AG not only has a huge user base round the globe but also develops innovations such as SAP NetWeaver which have a significant impact on the standards for tomorrow's IT systems.

REALTECH is already one of the established forces in the SAP partner programs in the areas of software, technology, and support. Successful collaboration is also underway with regard to Linux development. In the year under review, REALTECH further expanded its involvement in the exclusive Special Expertise Partner (SEP) program, with the result that SAP also awarded the company with SEP partner status for its consulting skills with regard to SAP XI (Exchange Infrastructure), SAP Enterprise Portal (EP), and SAP NetWeaver. The title of SEP is only awarded to a few selected companies, distinguished by exceptional expertise and experience relating to SAP technologies. Since December 2005, REALTECH has been one of a total of only ten SAP Analytics partners.

Above all, participating in various partner programs run by the big neighbor is the key to gaining essential competitive edge with regard to know-how: REALTECH now benefits from an early insight into SAP's product development and, in fact, is even directly involved in development in some areas. What's more, the company is able to translate this knowledge into superior consulting services. This is one of the main reasons behind the positive brand image because customers know that REALTECH will master new SAP technologies earlier and better than most competitors. Along the same lines, the physical proximity of the two partners also proves to be a crucial competitive advantage.





In addition, collaboration with SAP also facilitates the task of winning new customers. By including us in its exclusive cooperation program, the software manufacturer promotes REALTECH AG among users as a preferred consulting partner. In short, close collaboration with SAP makes it possible to tap important means of accessing markets and contacting customers – on an international scale. For example, REALTECH Japan attained the status of local SAP Technology Partner at the beginning of the year under review. Likewise, REALTECH Italy can count itself among the SAP Alliance Service Partners and REALTECH Spain is a service partner for all components of SAP NetWeaver.

REALTECH also benefits from similar effects in connection with cooperation with other leading software and hardware manufacturers on the market. These partners include Microsoft and Dell, who particularly recommend REALTECH AG as a preferred partner for demanding migration projects – in other words for changing over systems to new operating systems and databases.

Reinforced sales and distribution

Cooperating with leading IT manufacturers is simply one aspect of partner activities. REALTECH simultaneously also seeks to cooperate closely with other consulting companies with regard to sales and marketing – in various fields of application and on an international level. The aim here is to increase the company's market presence through joint forces and complementary expertise in the consulting business. Last but not least, many partners such as Fujitsu Siemens actively market products from REALTECH's theGuard! software family to companies in their own target markets and industries.

REALTECH AG specifically intensified its efforts in this area in fiscal year 2005. The most visible success of this commitment is that, in February 2005, the Group established an international partnership with Controlware GmbH, yet another manufacturer-independent IT systems integrator. This cooperation mainly revolves around joint sales and distribution activities in Ger-

many, Austria, and Switzerland. On the one hand, Controlware strengthens its own range of consulting services for business applications by drawing on the consulting expertise of REALTECH. On the other hand, the company helps its customers, by implementing REALTECH theGuard!, to achieve automated application management that leads to a valuable increase in efficiency and quality in all phases of system operation.

Optimized investment portfolio

However, regularly maintaining and purposefully expanding its sales partner network is just one way in which REALTECH AG enhances its market presence, customer proximity, and solution portfolio on an international scale. Even more importantly, the Group continuously monitors the IT market on the lookout for possible candidates for acquisitions and investments. However, no companies became apparent in 2005 which would have meaningfully complemented REALTECH's existing range of solutions with standard-setting consulting competencies and software products. Bearing this in mind, the company primarily concentrated in the year under review on optimizing its portfolio of international investments – complying with strict cost-benefit criteria, assessing the profitability of the various companies, and focusing on the shareholder value of the Group as a whole.

For example, REALTECH AG acquired a majority shareholding in its Japanese subsidiary for the first time during the course of the year under review – retroactively to January 1, 2005: The company began by increasing its holding in REALTECH Japan to 50 percent minus one share in September, then raised this to 54.1 percent in December. In contrast, Sydney-based REALTECH Australia is no longer part of the Group. The reason for the sale of the Australian subsidiary was the persistently unsatisfactory income situation in this market region. The transaction took place as part of a management buy-out, effective as of December 31, 2004.



REALTECH ON THE MOVE

THE FUTURE

New role of information technology

A similar picture is emerging in practically all industries and in all major economies round the world, namely that multinational corporations and medium-sized companies alike are finding it extremely difficult to set themselves apart from the competition. Rationalization effects have largely been exhausted. The only possibility for safeguarding product differences in the long term is through intellectual property rights. In a globalized economy, there are hardly any effective market entry barriers left which offer permanent security to established players. The progressive convergence of industries, markets, and product technologies is leading to a world of unprecedented dynamic change. As a result, new aspects are coming to the fore: flexibility and openness in company and operational management.

Constant change

The products and services offered by an organization are becoming less important in the global economy of the 21st century. Instead, when it comes to achieving a strong competitive position both today and in the future, the essential criterion is the ability to quickly adapt company services to practicable innovations and the latest customer requirements – with individual variants and at suitable prices. At all levels it is vital to respond as quickly as possible to ongoing market changes – be it in research and development or with regard to choosing locations, be it in human resources and finance, in sales/distribution and marketing, or in communication with capital markets.

Changed customer behavior, in particular, is forcing a process of permanent transformation on companies. Today's modern customers simply expect to receive an individual service, with demand concentrating on products and services which are tailored to cater to personal needs and preferences.

New way of dealing with complexity

This increasingly tangible flexibility dilemma is basically proving to be the obligation to develop a new means of handling complexity. In this respect, companies need to look at business-relevant factors and their interaction as a whole. The existing set of rules and process models is often not suitable for describing the complex new world.

Looking back it is apparent that in the past the task of steering companies boiled down to an attempt to master complexity by simplifying reality. Linear business processes were simply linked up to generate substantial productivity gains. The problem is that anything new is naturally perceived to disrupt this model – regardless of whether it is an opportunity or a risk, an innovation or postponed demand. In the face of dynamically changing constraints, ideal typical business processes can soon prove to be increasingly paralyzing business straitjackets. In the worse-case scenario, a company may end up ceasing to be competitive.

Flexibility, openness, collaboration, speed

Companies are beginning to realize that complexity must be recognized as a very real part of business management and needs to be maintained as a quality. After all, the world doesn't stand still. There is always something new happening for which no rules yet exist. There is always something unknown taking place, giving rise to additional revenue potential and new customer expectations. Bearing this in mind, companies need to become more adaptable than ever before. Companies which do not – even traditional firms with a loyal base of customers – are destined to fail.

A survey conducted by the Meta Group in 2005 indicates that decision-makers are well aware of this challenge. Increasing numbers of organizations are beginning to make flexibility, openness, collaboration, and speed the foundations of their corporate cultures.



On the one hand, companies are concentrating on their core competencies. On the other hand, they are increasingly relying on an integrated network of partners and suppliers to enable them to provide high-quality, flexible solutions which meet individual customer expectations.

The driving force of IT

There is no question about it that IT plays a key role along the road to becoming an adaptable enterprise. After all, software, hardware, and networks have not only found their way into almost all fields of business activity, they are also shaping business processes themselves. Strategic corporate planning, product development, manufacturing, order processing, sales, distribution, and customer service – all the important workflows in these areas are automated, steered and supported by information technologies. If their IT systems fail, companies suddenly become largely unable to act or make decisions.

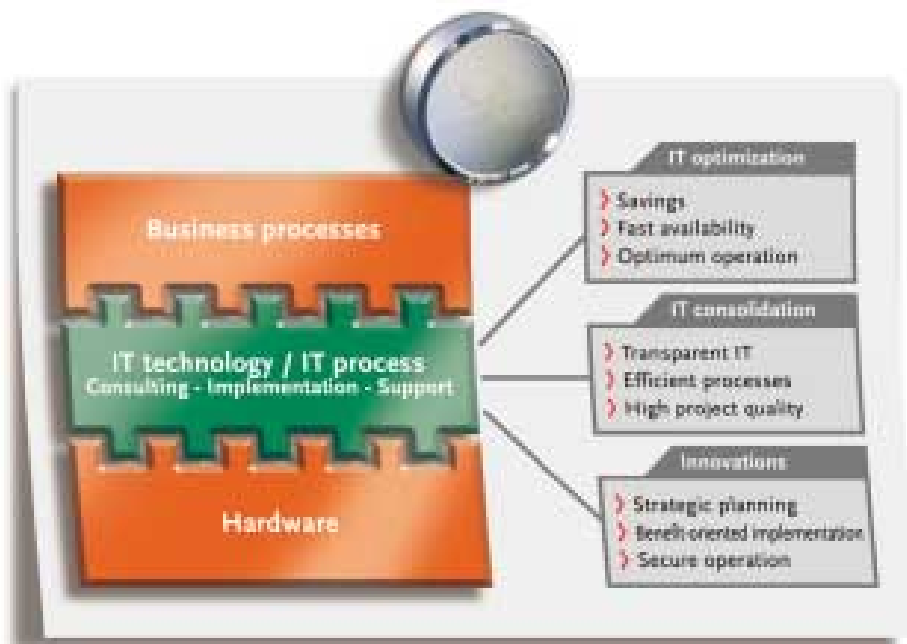
Above all, responding quickly enough to changed market conditions would be practically impossible without exploiting the full benefits of modern Web

technology. It is only thanks to IT innovations that it is at all possible to record dynamic demand and supply in real time and promptly analyze these figures – as the basis for fast, precise, and well-informed decisions at an operational and strategic level.

This is also confirmed by the abovementioned survey by the Meta Group. More than 80 percent of those questioned consider IT to play a key role when it comes to making the necessary changes. Just under 60 percent were of the opinion that information technology should not just be used as a part of the drive towards greater cost efficiency but rather that it needs to be utilized as a strategic competitive instrument.

Increasing room to maneuver

Nevertheless, the future role of IT in companies remains ambivalent as the way in which companies have traditionally implemented their information technology greatly limits its effectiveness as a source of enhanced flexibility. There are two structural problems. The first is that the majority of resources are tied up by day-to-day computer center operations. The





REALTECH ON THE MOVE

second problem is that the application environments established in the past also reflect the dead-end attempt to master complexity through simplification.

On average, total IT costs now make up between two and eight percent of the total revenue of companies. In addition, the persistently difficult economic situation has forced painful budget reductions on many IT organizations. Against this backdrop, the distribution of these tight budgets reveals a substantial dilemma. Experience shows that only ten percent of IT expenditure is invested in innovation projects. In contrast, 30 percent must be invested in operating applications, while technical operation takes up a massive 60 percent.

Restructuring budgets

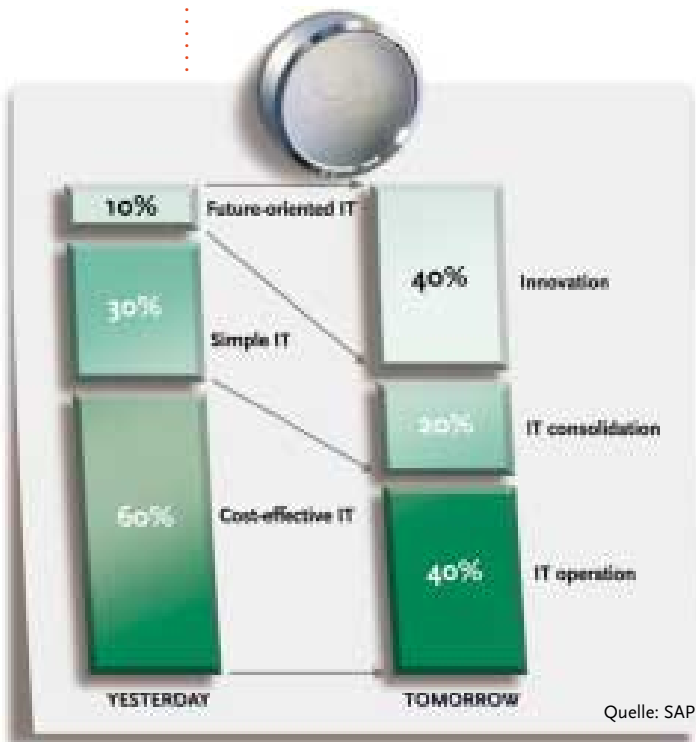
90 cents of every euro conceded to IT departments are used up simply maintaining the status quo, and there is consequently very little personal or financial leeway available for investments in new applications designed to adapt business processes and models to constantly changing market situations. To put it another way, companies caught up in the IT operating cost trap risk losing their competitiveness.

The only way for companies to escape from this dilemma is to consistently restructure their IT budgets. Companies desperately need to take specific measures to rationalize their live applications in terms of monitoring, error diagnostics, error rectification, administration, and optimization. As a rule, it is also necessary to redesign the underlying IT infrastructures based on stringent cost-benefit analyses. The consolidation of mainframe computers can, in the long term, lead to just as great potential savings as a changeover to new operating systems and databases.

Trustworthy consulting partner

Ever since being founded, REALTECH AG has paid particular attention to establishing itself as a trustworthy consulting partner for companies of all sizes and from all industries with regard to such tasks. The Group employs numerous optimization specialists who work to achieve lasting savings in computer center operation. Moreover, with its consolidation consulting, the company helps its customers to set up more homogeneous system environments with consistent business processes. There have already been countless customer projects in which REALTECH consultants have demonstrated extraordinary skills in rationalizing IT processes – with the result that customers have ever since benefited from improved business applications that cost less and require fewer human resources.

In a consulting market characterized by tough competition, REALTECH AG's specialization on SAP-related technologies and a large number of successful reference projects sets the company apart from competitors. The IT service provider has also been able





to utilize the project experience and detailed knowledge of its team of consultants to successfully establish an additional field of business: In the form of its theGuard! software family, REALTECH has developed a complete solution which monitors IT systems largely automatically and initiates the necessary corrections independently when problems occur. These products, marketed both directly and through international sales partners, therefore also help customers to cut costs while at the same time improving IT quality and increasing reliability.

Daring to change

Several market studies underscore the fact that the issues on which REALTECH AG has come to place an emphasis will also be high up on the list of priorities of those responsible for technology in the years to come. As pressure to cut costs is becoming greater and greater, IT organizations are more than ever before compelled to prove the business profitability of all of their activities. As a result, optimization and consolidation will remain right at the top of the IT agenda of many companies in coming years. This is a really reassuring outlook for REALTECH AG. Nevertheless, the Group's management has been aware for some time, probably much more so than many competitors, that, no matter how effective measures to rationalize IT operation may be, they are predominantly fighting the symptoms of a deeper, structural IT dilemma.

It doesn't matter whether it's at a multinational corporation, a medium-sized business, or a public authority – almost all IT systems have grown in a piecemeal fashion over several decades. Organizations have progressively added additional software applications in order to rationalize the work processes of other business functions and areas. This covers everything from financial accounting, controlling, production, and enterprise resource planning to logistics, sales and distribution, and maintaining customer relations.

New strategy for setting up and operating system environments

What all these applications focus on is the available data – because companies use software to record, gather, prepare, and provide business information, as well as to control automated processes based on this where possible. This is essentially also based on the idea that business complexity can be tamed by simplification. The result is that IT dictates ideal typical business process models, which are tending to diverge more and more from the changed business requirements. As a general rule, it takes a great deal of programming, integration, and installation work to adapt data-oriented IT systems to accommodate new opportunities and risks. This is particularly the case when dynamic market changes take effect across several individual applications. In other words, it is almost always the case.

Companies have been trying for decades to take control of the evolution of their heterogeneous application environments and have desperately sought ways of responding adequately to the huge array of potential alternatives available. However, efforts to curb the proliferation of ever more applications through integration have only been moderately successful. IT organizations are still having to cope with redundancy and severe inefficiency.

Bearing this in mind, REALTECH AG became convinced at an early stage that the fundamental complexity dilemma in IT can only be solved by making a radical cut. What was needed was a completely new concept for setting up and operating system environments that gives top priority to openness and flexibility. Moreover, REALTECH has specifically invested in developing skills relating precisely to a particular solution which has now proved to be sustainable in the long term, namely service-oriented architectures (or SOAs for short).



REALTECH ON THE MOVE

SOA – turning point in the history of IT implementation

Service-oriented architectures constitute a turning point in the history of IT implementation, marking a clear break from the rigid, data-centered system models of the past. The SOA puts the spotlight on new qualities of IT infrastructures, requiring the individual functions of all existing and new software applications to be merged into a harmonized whole and be subject to ongoing further development. Experts consciously draw a comparison between the activities of those responsible for technology and the work of orchestra conductors. There is talk of orchestrating IT services.

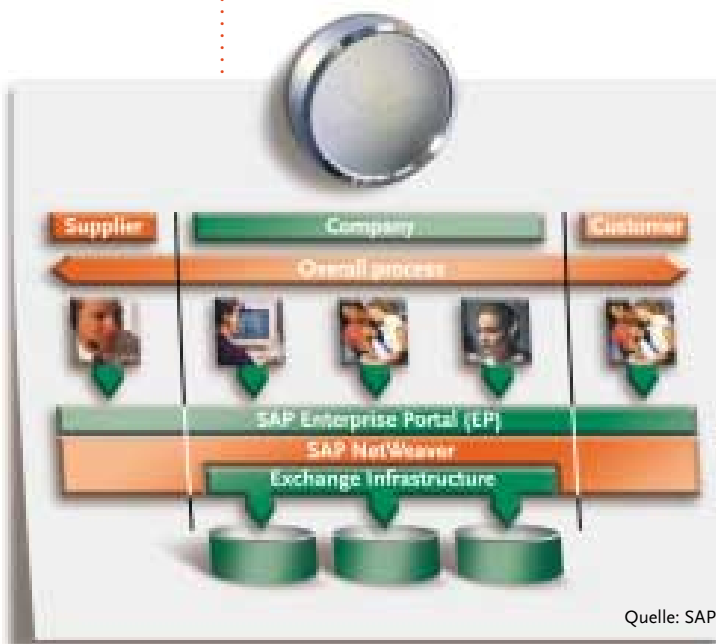
services can be combined as required, pretty much with a simple mouse click, and can be made available to individual users in line with their needs. Companies have the chance to smoothly interconnect the old and the new.

The SOA model therefore makes IT systems adaptive in the best sense of the word, giving rise to flexible, independent software environments which are able to incorporate any change immediately. It is no longer IT that dictates the limits of process models. Instead, SOAs restore unlimited freedom to decision-makers in terms of business thinking and action – at least at the level of IT use. Nothing is a must but everything is possible. Companies can be fast, flexible, and open to unexpected opportunities and challenges.

Investment protection through uniform technology platform

The changeover to a service-oriented architecture represented a real blow to the freedom of IT managers and departments. This is because, within SOAs, all software-supported processes are run on a standardized technology platform. This provides IT departments with a great deal more active power and control competency. In flexible interaction with new Web applications, established legacy systems develop undreamt-of benefits and user friendliness – adding up to unbeatable investment protection. Last but not least, SOAs make it easier than ever to integrate additional participants and processes – even across traditional company boundaries.

Most importantly, however, business requirements will make service-oriented architectures an absolute must in the medium term. There are many convincing reasons for companies to look in detail at the options offered by an SOA implementation today. The new approach streamlines internal processes thanks to easier data access and optimizes the process of



To put it in slightly simpler terms, SOAs amount to system architectures in which the logic of a business application is not defined in one single program. Instead, everything is distributed among a large number of individual services, whereby each one of these services is available on its own and can be used again and again. Based on modern Web technology and consistently open specifications, the various



exchanging information with customers, partners, and suppliers in cross-company value chains. In connection with mergers and acquisitions, the SOA model makes it possible to integrate and utilize all resources and plants in a consistent manner in no time at all. Consolidated views of all business data make decision-making processes faster and more precise. What's more, a service-oriented architecture lays sound foundations for controlled compliance with the constant flow of new legal and competitive regulations.

Movement on the market for SAP consulting

In a rare display of complete consensus, all renowned industry analysts are predicting the speedy worldwide success of service-oriented system architectures. These expectations are based on the fact that the key players in the global IT industry have made the SOA model their main focus for investments in research and product development. Examples include Microsoft with .NET and IBM with WebSphere. SAP – the largest manufacturer of enterprise software worldwide and

REALTECH AG's most important partner – has also already paid a great deal of attention to developing an appropriate solution model: the Enterprise Service Architecture (ESA).

What SAP aims to achieve with this SOA approach of its own is to provide users of its technologies with economically feasible strategies for using their existing systems. The ESA supplements the model of independent Web services in that it adds business elements promoting implementation that makes good business sense. One particular advantage of this is that the entire innovation and standardization cycle can be controlled within one single environment.

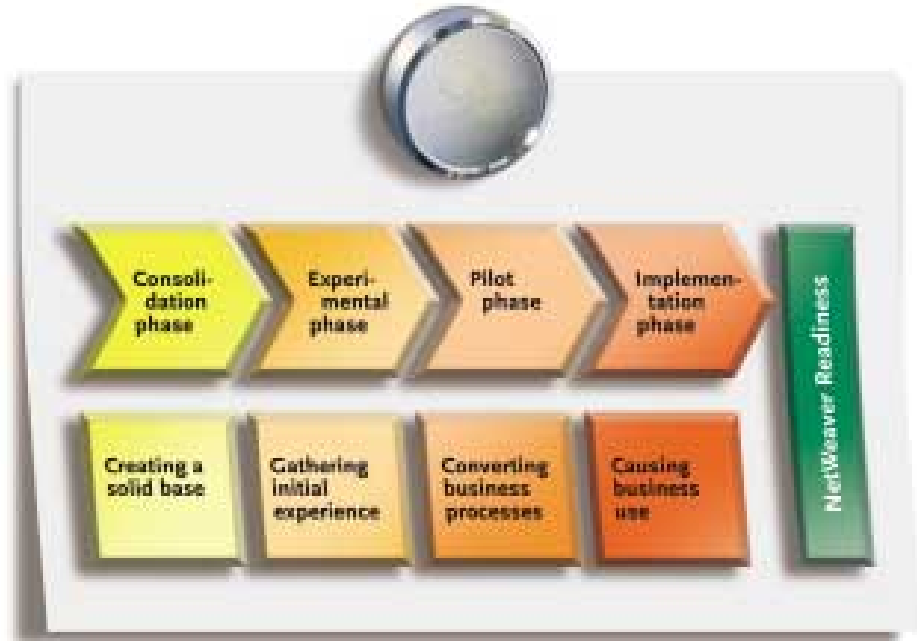
Expertise and practical experience in demand

The core product in the ESA initiative is SAP NetWeaver. This integration platform lays the technical foundations for opening up existing application systems and making them more flexible. Because SAP NetWeaver has turned SAP into a platform supplier it is particularly significant for consulting companies which focus on SAP consulting. The consequence of this is that SAP





REALTECH ON THE MOVE



projects will automatically have a largely technical component in the future. Moreover, attention is especially being paid to interaction between software services and basic technologies – precisely the area of application in which REALTECH AG has its traditional strengths.

On top of this, companies using the technology have hardly been able to obtain complete concepts for the implementation of SAP NetWeaver from the manufacturer itself. This, too, opens up substantial market potential for specialized consulting companies which have the necessary creative expertise to enable them to pinpoint the difficulties of customers in good time and offer suitable solutions.

In addition, experts expect SAP to rely even more on its partner networks in the years to come because the company has only limited consulting resources of its own. However, collaboration in connection with NetWeaver projects is likely to be limited to premium partners whose expertise and practical experience meet extremely tough acceptance criteria. REALTECH is among this elite circle of companies.

SOA pioneer for SAP customers

Three fractions can currently be made out among companies with SAP systems. Some users jumped on the NetWeaver bandwagon very early and are already gaining initial practical experience today. The second and largest group of users is currently busy getting ready to use the new technology. Other companies are still waiting to see how things progress and will probably only change over to SAP NetWeaver in a few years.



SAP consultants on the market are similarly varied and several suppliers have so far been convinced that they could postpone dealing with the topic of SAP NetWeaver. After all, the new SAP concept also makes it necessary for them to rethink their own market positioning. Entirely new qualifications are needed in order to help clients implement successful ESA projects. Only by implementing a consistent further training campaign can companies adapt the expertise of their employees to meet the specific market requirements. Following recent meager years in the IT industry, many SAP consulting companies have obviously balked at making this investment in the future.

Not so at REALTECH AG! To supplement its focus on IT optimization and consolidation, the Group has in recent years built up a third pillar in the form of the consulting business: advising on new Web technologies which give existing systems the necessary future orientation. What's more, the solutions in the SAP NetWeaver product range have been in the center of this initiative right from the start.

Product range relating to SAP NetWeaver

Since then, the consulting company's traditionally close partnership with SAP has been a particular benefit in this area. For example, REALTECH was involved in the development of SAP NetWeaver at an early stage and set up a competence center of its own for this technology two years ago. The physical proximity of the two companies allows an intensive ongoing transfer of know-how. Moreover, with an extensive further training program, a wide range of certification measures, and organized knowledge transfer between its international sites, REALTECH AG has specifically got its team of consultants in

shape for the world of ESA. The qualification program for the company's hundred SAP consultants in Germany alone involved investments of several hundred thousand euros.

As a result, REALTECH was already able in 2005 to support customers with a comprehensive range of consulting services relating to all aspects of SAP NetWeaver. This consulting offering revolves around a structured four-phase model, covering everything from strategic planning to benefit-oriented implementation and reliable operation. These skills also impress the manufacturer, as is demonstrated by the company's admittance to several exclusive partner programs: SAP now recommends REALTECH to customers as a Special Expertise Partner for four product categories.

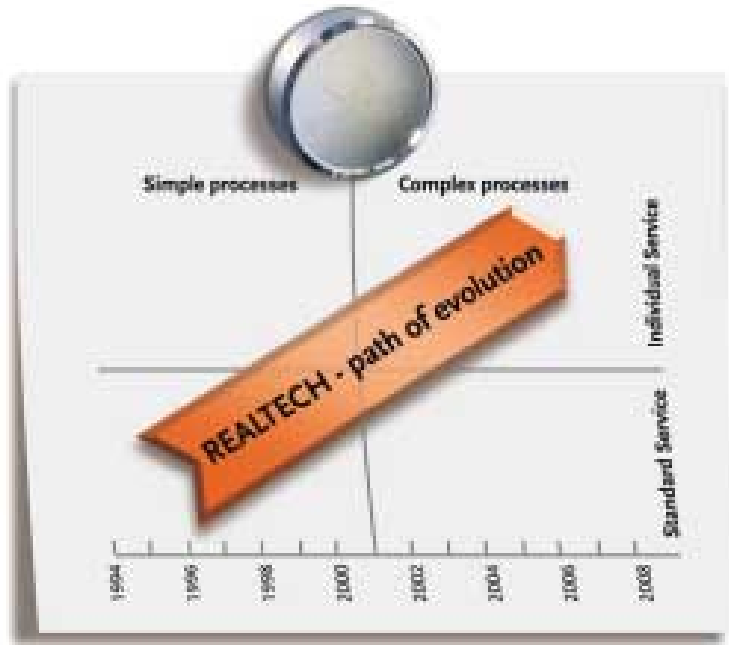
Excellent prospects – consulting demand is growing

Industry observers anticipate that, as a result of being forced to convert to SOA models, companies will achieve more innovations through IT implementation over the next five years than ever before. In conjunction with this development, the demand for project consulting is also bound to increase greatly. The market for SAP consulting, in particular, has clearly been in a process of transformation since increasing numbers of user companies have been occupying themselves with the implementation of SAP NetWeaver.

According to experts, the rising demand of SAP customers will especially focus on consultants who understand their individual requirements, with a view to their respective business strategies and processes, and at the same time are also completely familiar with SAP technology. For example, a study by the Meta Group has discovered that, when it comes to choosing a solution supplier in the SAP NetWeaver environment, the companies questioned generally attached great value to broad consulting expertise as well as a substantial emphasis on technology.



REALTECH ON THE MOVE

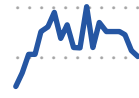


Technology and strategy consulting hand in hand

REALTECH AG has invested in precisely these competencies, i.e. in merging technology and strategy consulting. This puts the company in an excellent position to emerge with new strength from the changes on the IT and SAP consulting market. REALTECH is not simply a pioneer who helps customers set up IT systems with a new flexibility. Much more importantly, the company itself demonstrates an extraordinary ability and willingness to change, enabling it to purposefully adapt to changed competition conditions.

Several parallel future-oriented initiatives are keeping REALTECH on its toes: lively discussion with customers about their practical and future requirements, a qualification campaign with clearly defined focuses, a wide range of cooperation that gives the company valuable superior knowledge, and open financial market communication that promotes trust.

In this way, REALTECH will also be able to meet the complex set of expectations in the future. The Group made a name for itself as a preferred project partner for major manufacturers and demanding customers right at the beginning of the SOA era. Thanks to challenging consulting topics, it is an attractive employer for ambitious consultants at highest level. Aiming to maximize shareholder value, REALTECH has transformed itself from a specialist for technical SAP expertise to a strategic consulting partner for the most business-critical IT projects. It is now time to reap the fruits of this maturation process, together with employees, customers, and shareholders.



"As an IT company in the SAP community, REALTECH is one of the very small number of companies to have succeeded in achieving a balance between independent innovation and loyal cooperation with the global ERP market leader SAP. This makes REALTECH a real source of expertise for customers."

Peter M. Färbinger,

Publisher of the E-3 Magazin

"The many years of experience I have gained in the SAP environment give me every reason to be extremely positive in my assessment of REALTECH AG's growth over the past year. The company's clear focus on SAP topics, in particular the SAP NetWeaver platform, as well as its partnerships in a wide range of sectors, also send out a clear signal to our shared customer base."

Bernhard Hochlehner, Head of Corporate Publishing and Editor in Chief of SAP INFO, SAP AG

"REALTECH has recognized the ways things are going in IT service management environments and has adapted its product portfolio accordingly – with a view to connecting IT services with business processes as closely as possible."

Dr. Wilhelm Greiner, Editor of LANline

"In Realtech AG's market environment, the imminent paradigm shift towards service-oriented application architectures in the years ahead will greatly boost demand for system-based services. In addition to being able to demonstrate project and customer experience in this area, Realtech AG will benefit from the fact that it has been one of the first service providers in the SAP environment to have geared its entire corporate strategy towards the new requirements."

Nils Niehörster, Managing Director, RAAD-Consult

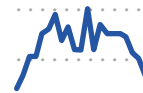
EXPLORING NEW HORIZONS



REALTECH AG still has a long way to go. This year, the Group will again implement various measures with a view to supplementing and refining its range of consulting services and software products to meet market and customer requirements. Clearly focusing on modern SAP system environments, REALTECH aims to realize superior IT offerings for precisely the market segments which are clearly the source of a sustained increase in demand.



5,70



01.07.05



MANAGEMENT REPORT



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

MANAGEMENT REPORT

FINANCIAL SITUATION

Business development - Corporate

The REALTECH Group was able to increase revenue in fiscal year 2005 by 6 percent from EUR 47,075 thousand to EUR 50,047 thousand. This could be attributed equally to both business areas: Consulting revenue increased 7 percent from EUR 37,284 thousand to EUR 39,773 thousand – meaning that this segment contributed 80 percent of Group revenue as in the previous year – while software revenues for licenses, maintenance, and supplementary services rose by 5 percent from EUR 9,791 thousand to EUR 10,274 thousand. As in previous years, the quarter with the highest revenue in 2005 was the 4th quarter.

For gross profit on revenue, this meant a six-percent increase from EUR 18,027 thousand to EUR 19,075 thousand. Relative to revenue there was no change and the value remained at 38 percent.

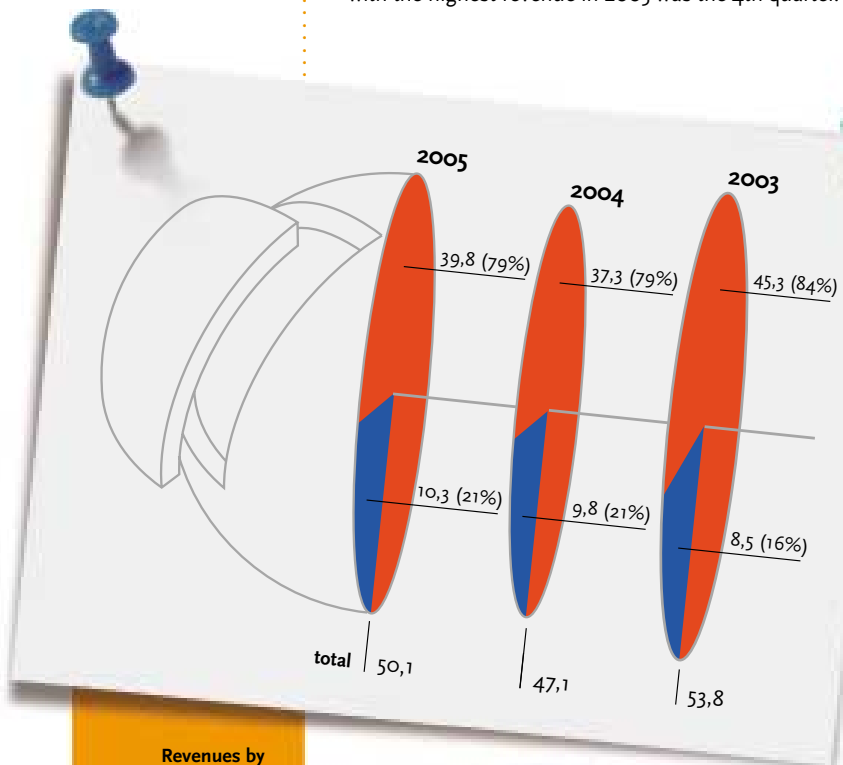
Selling expenses rose slightly year on year from EUR 5,995 thousand to EUR 6,087 thousand. In contrast, they fell slightly as a proportion of sales from 13 percent to 12 percent.

A substantial reduction in expenses could be observed in terms of general administrative expenses, which fell 20 percent from EUR 8,719 thousand to EUR 6,975 thousand compared to the year before. Based on revenue, this value fell from 19 percent to 14 percent. The reduction was partly attributable to cost-cutting measures and partly attributable to expenses being distributed more fairly based on cause.

Research and development expenses rose by 9 percent compared to the previous year from EUR 4,641 thousand to EUR 5,077 thousand, representing 10 percent of revenue in each of the two periods considered.

EBIT was clearly improved from minus EUR 296 thousand to EUR 1,688 thousand, therefore reaching the level of 2003 (EUR 1,674 thousand). Accordingly, EBITDA also increased by a substantial 78 percent, from EUR 1,753 thousand to EUR 3,120 thousand. A key factor here was cost-cutting measures which fully took effect in fiscal year 2005. Moreover, the improved earnings situation in the software segment was particularly to thank for this positive development.

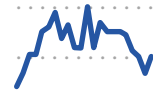
Income from associates, amounting to EUR 122 thousand, reflected the income connected with the company's 49-percent holding in the Italian company E-City S.r.L., Milan, which was held through REALTECH Italia and was sold with effect from July 8, 2005. The value for the previous year included not only E-City income but also income from the company's interest in REALTECH Japan. This company was still classified



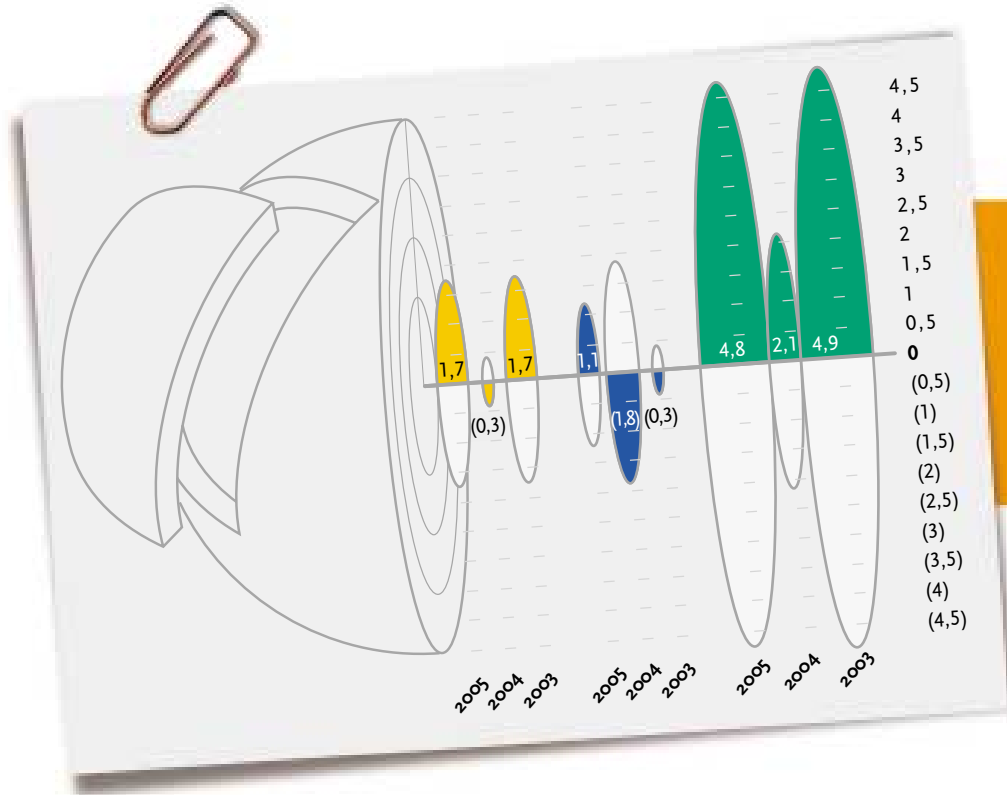
Revenues by segments (millions EUR)

Consulting 
Software 

The year under review saw costs of revenues increase by 7 percent from EUR 29,048 thousand to EUR 30,972 thousand, which corresponds to 62 percent of revenue as in the year before.



11.07.05



Income situation and cash flow (millions EUR)

- EBIT
- Net income
- Cash flow

as an associate in 2004 and was apportioned to REALTECH AG in accordance with the amount of the company's holding.

Earnings from financial investments and securities – amounting to EUR 132 thousand – specifically contained income from the sale of securities. The previous year's figure of minus EUR 136 thousand was essentially affected by the EUR 116 thousand write-down in the residual value of the company's holding in Grau Data Storage AG. This holding was sold in 2004.

Income taxes amounted to EUR 1,219 thousand, up from EUR 579 thousand in 2004. This includes EUR 900 thousand (previous year: EUR 1,135 thousand) of current tax expense and EUR 319 thousand of deferred tax expense (previous year: deterred tax income of EUR 556 thousand).

The changes explained above gave rise to a great improvement in net income compared to the previous year – from minus EUR 1,760 thousand to EUR 1,110 thousand. On the basis of 5,092,452 shares, this meant earnings per share of EUR 0.22 (compared to minus EUR 0.35 in the previous year).

Business development - Regions

The revenue recorded in Germany only rose by two percent to EUR 21,653 thousand, up from EUR 21,226 thousand in 2004. This meant that revenues recorded in the company's home country amounted to 43 percent of total revenue compared to 45 percent the year before. In other countries, revenues reached EUR 28,394 thousand and a proportion of 57 percent, compared to EUR 25,849 thousand and 55 percent of Group revenue the previous year. The 10-percent increase was primarily due to the company's Japanese subsidiary being consolidated for the first time in fiscal year 2005.

In the European region excluding Germany, revenue – at EUR 21,058 thousand – was pretty similar to the



MANAGEMENT REPORT

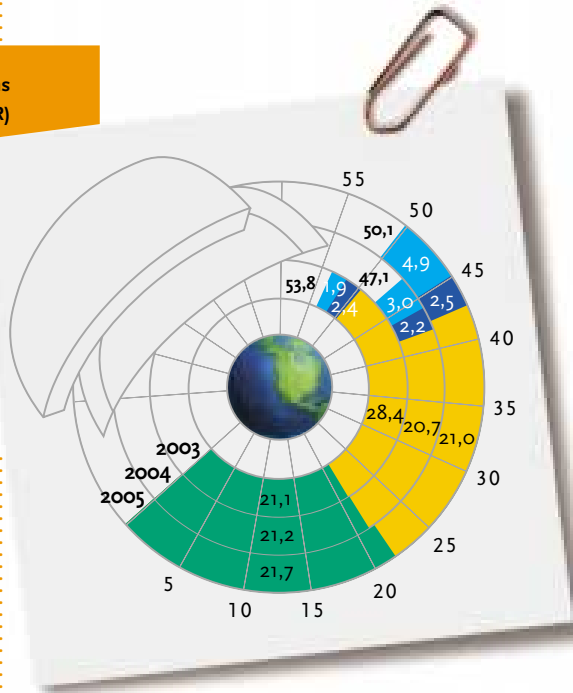
previous year (EUR 20,744 thousand). This included a further decline in revenue in Italy, while revenues improved in Spain and Portugal. The proportion of total revenues recorded in Europe excluding Germany fell from 53 percent to 44 percent. In the USA, revenues increased by a pleasing 16 percent from EUR 2,144 thousand to EUR 2,483 thousand, with the contribution towards Group revenue remaining at 5 percent. The greatest change was seen in the Asia-Pacific region, where there was an increase from EUR 2,961 thousand to EUR 4,853 thousand – particularly due to the initial consolidation of REALTECH Japan (as mentioned above). This region contributed 10 percent of total revenues compared to 6 percent the previous year.

Above all, this was due to increased efforts to train consultants in the areas considered to be important for the future. As cost savings continued to be achieved in the areas of marketing, sales/distribution, and administration, the total income from the operations of the German REALTECH companies was increased substantially compared to the previous year.

The earnings situation of the companies in the European region excluding Germany also clearly improved. Here, the greatest positive change was seen in Italy, where EBIT, having amounted to a huge negative number in 2004, recovered to a small positive figure. A great increase at a low level was also seen by the income from operations recorded in the US. In contrast, the figure in Singapore remained slightly positive, at around the same level as in the previous year. The greatest decline was suffered in New Zealand. Whereas a positive income from operations was recorded in 2004, this was reversed due to a lack of work in the consulting area.

Revenues by regions (millions EUR)

- Germany ■
- Rest of Europe ■
- USA ■
- Asia Pacific ■

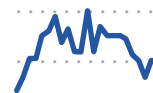


Appropriation of net income

REALTECH's annual financial statements form the basis for a resolution to be passed by the General Meeting on the appropriation of earnings. REALTECH AG's earnings before interest and taxes, which amounted to EUR 1,452 thousand in the year under review compared to minus EUR 3,155 thousand in 2004, was first and foremost influenced by lower impairments of investments compared to 2004 as well as allowances made for loans to associates, coupled with higher income from the transfer of profits. In the previous year, EUR 3,679 thousand had been withdrawn from additional paid-in capital in order to compensate the loss carried forward.

Profit development varied greatly from one region to another. In Germany, revenues and gross profit on revenue both increased by around 2 percent. Looking at the two segments, it can be seen that gross profit margin increased by 13 percent in the software segment while remaining unchanged in the consulting segment.

Net profit in 2005 amounted to EUR 1,050 thousand, enabling the company to distribute dividends.



Investment and financing

The REALTECH Group's cash flow from operating activities was greatly increased in the year under review, amounting to EUR 4,818 thousand after EUR 2,109 thousand in 2004. This increase was essentially influenced by the improved consolidated earnings.

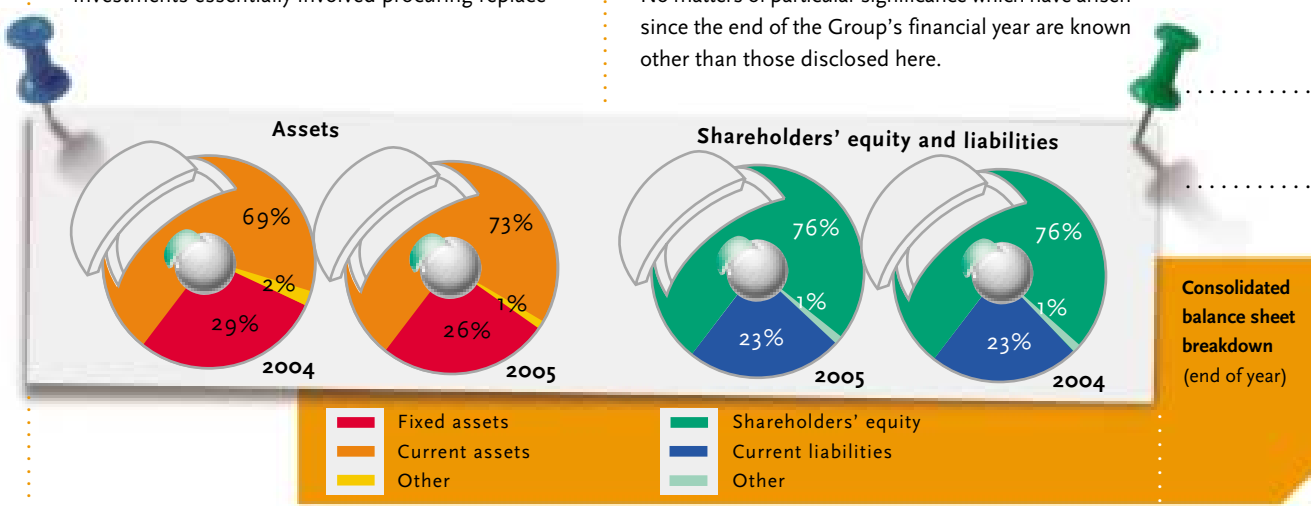
Cash flow from investing activities reached a value of EUR 1,941 thousand in 2005, having amounted to minus EUR 944 thousand the previous year. This value was greatly influenced by investments of EUR 1,137 thousand in intangible assets and property, plant, and equipment (previous year: EUR 896 thousand). These investments essentially involved procuring replace-

Balance sheet structure

Total assets increased from EUR 55,512 thousand on the balance sheet date the previous year to EUR 57,310 thousand in the year under review, while the equity ratio remained pretty much constant, amounting to 76.3 percent compared to 76,5 percent the previous year. The equity capitalization forms a sound basis for realizing further growth potential.

On the balance sheet date, the REALTECH Group had net cash and cash equivalents of EUR 25,948 thousand (previous year: EUR 21,357 thousand).

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



Consolidated balance sheet breakdown (end of year)

ments and were fully financed from operations. A counteractive effect was caused by the reduction in the number of interest-bearing securities compared to the figure for a year earlier.

Cash flow from financing activities totaled EUR 172 thousand (previous year: minus EUR 3,657 thousand). Cash outflow in the previous year essentially resulted from the full repayment of liabilities to banks amounting to EUR 3,835 thousand.

RESEARCH AND DEVELOPMENT

In the form of theGuard!, REALTECH AG has in recent years established a product range on the market which provides customers with a complete solution for automatically monitoring and managing IT environments as well as for operating IT services. The Group's software business primarily revolves around ongoing investments in research and development, the aim being to transform ever-changing customer requirements and the know-how of the consulting business area into new or improved processes for system management and system operation. Moreover, REALTECH is constantly faced with the challenge of ensuring



MANAGEMENT REPORT

that theGuard! supports the new application and infrastructure technologies of all important IT manufacturers as comprehensively as possible.

REALTECH AG's research and development costs in fiscal year 2005 amounted to EUR 5,077 thousand, which is EUR 436 thousand or 9 percent more than in 2004. These expenses continued to amount to 10 percent of revenue each. On December 31, 2005, the Group had a total of 58 employees working in research and development at its Walldorf and Schweitenkirchen sites.

During the course of the year under review, these investments resulted in the launch of several new products with which REALTECH has greatly increased the utility and user-friendliness of some individual theGuard! solutions. One aspect on which further development focused was theGuard! ApplicationManager 3.0. Customers can use this solution to constantly monitor business applications, databases, Web and mail servers, and operating systems in networks of any sizes highly efficiently and to analyze their performance. The new release, with its intelligent functions for correlating and avoiding errors, makes it possible to increase the automation of IT operation by at least another 30 percent. Moreover, the product is now able to provide monitoring and performance data in such a way that IT services can be billed based on the cost-by-cause principle. At the same time, REALTECH has added several data collectors to theGuard! ApplicationManager. As soon as these interfaces are installed, they act as "agents", independently transferring all relevant monitoring information from the application systems of customers. For example, thanks to the NetService data collector, theGuard! ApplicationManager is now able to monitor and analyze all Internet services and protocols. Additional new agents optimize the interaction between

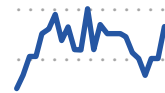
the REALTECH software and the SAP Exchange Infrastructure (XI) as well as the SAP J2EE Server (WebAS). What's more, the Group has also developed additional innovations which will make it a lot easier for its customers to immediately benefit from the advantages of theGuard! ApplicationManager in the future: Since August 2005, the software has been available in the form of complete, preconfigured packages for monitoring Microsoft Windows environments, SAP applications, and SAP NetWeaver infrastructures.

Other components of the range of theGuard! software have also been upgraded and modernized in line with market requirements in the year under review. For example, REALTECH AG has added important new components to its network management solution. This includes a Web-based analysis tool with which theGuard! NetworkManager automatically supplies valuable statements regarding the quantity and quality of the enterprise-wide data traffic of customers. A new version of theGuard! ServiceCenter was also launched in 2005. This new release, Release 2.5, enables companies to control and implement their IT processes systematically as defined by the quality assurance specifications of the increasingly popular management concept ITIL (Information Technology Infrastructure Library). This gives rise to huge efficiency gains and cuts costs substantially, especially in connection with the REALTECH modules for inventory and asset management. Since December 2005, a new version of InterfaceManager IM/3 has been available. Release 3.0 of this integration solution for SAP system environments is the first release to support the Unicode standard for presenting and processing all world languages and character sets.

In addition, REALTECH has also specifically invested in the fiscal year with a view to tapping new performance features, areas of application, and markets for its software products in cooperation with selected partners. For instance, the Group teamed up with Fujitsu Siemens Computers to add a solution module to SAP's Adaptive Computing concept which allows comprehensive real-time monitoring and structured



6,68



29.07.05

management of service level agreements. As part of this effective collaboration, the entire system management suite of theGuard! has been awarded the "Flex-frame-compliant" certificate by Fujitsu Siemens Computers. Working together with IDS Scheer AG, Saarbrücken, REALTECH AG's development team has implemented an integration project incorporating ARIS PPM from IDS Scheer into the company's own solution, theGuard! ServiceCenter. Companies using the product gain an end-to-end view of service processes, meaning that all IT services and components involved can be seen instantly. This function is the key to completely analyzing, assessing, and controlling IT service processes.

With this in mind, REALTECH AG considers itself to be well equipped to win further customers for its theGuard! family of solutions. The company management anticipates that the software business area will make a positive contribution towards consolidated earnings in 2006. Research and development will primarily focus on the task of tailoring all products to meet the specific current requirements of markets and customers. With investments in automated processes for monitoring SAP NetWeaver or ITIL, REALTECH AG intends to secure its position as a leading supplier of application and system management solutions, especially in the SAP environment. At the same time, the Group is intensifying its sales/distribution and development cooperation with Fujitsu Siemens Computers. Working together, the two partners are developing the necessary tools for customers to purposefully control their SAP applications even within virtual system architectures. Last but not least, REALTECH AG has developed organizational structures which are as efficient as they are effective and lay the foundations for boosting revenue growth in the software business area both in Germany and in other market regions: Today, all of the Group's sales/distribution, consulting, and development resources are systematically geared towards individual product divisions.

RISK REPORT

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

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

Risk management

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

REALTECH's early warning system is an element of its strategic planning – the formulation of quantitative targets. The management recognizes deviations from long-term specifications by means of strategic analysis as well as during annual actual forecasts and projections. The system is based on monthly revenues, costs and earnings reports, which are supplemented by quarterly reports published with regard to operating assets. Financial control measures are used to determine and analyze deviations on the basis of the early warning and reporting systems. This provides the company with decision-making aids for potential corrective action. REALTECH deals with possible management risks by means of internal reporting with detailed forecasting and control processes.



MANAGEMENT REPORT

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

General economic risks

As for 2006, leading economic research institutes are forecasting slightly improved economic prospects. In view of its financial stability, proximity to customers, strategic orientation, and the wide range of measures taken to detect and deal with possible risks, REALTECH is confident of achieving all projected targets in spite of the risks described. Nevertheless, a substantial worsening of the general economic conditions could have a detrimental effect on REALTECH's revenue and income.

Industry risks

The markets for consulting and software continue to be characterized by tough competition. Mergers, the appearance of large new suppliers, or a market consolidation could have a negative effect on revenues and margins at REALTECH. In order to be successful, REALTECH needs to recognize relevant trends at an early stage and respond to them.

Concentrating on products from SAP AG makes REALTECH largely dependent on the market acceptance of this partner. REALTECH anticipates that the market for SAP solutions will continue to grow as, in the year under review, SAP AG has been able to continue expanding on its leading position.

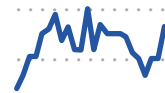
REALTECH's forecasts are based on the assumption that demand for system management products will continue to increase at the pace predicted by industry analysts. When it comes to developing its solutions, moreover, REALTECH pays great attention to customer requirements, hoping to maximize market acceptance. The company is, however, not in a position to guarantee that this will also remain constant in the future. In particular, the fact that competitive pressure is constantly increasing – amongst other things due to takeovers and the associated market concentration – may have the result that REALTECH products do not obtain the desired market access.

Operative risks

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

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

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



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

Personnel risks

REALTECH's highly-qualified employees make an important contribution towards the company's business development. The company anticipates that it will continue to be able to adequately meet its requirement for specialists and executive managers in the relevant job markets. Should the company prove unable to do this, this could have a negative impact on business development.

Financial risks

REALTECH trades predominantly in the euro zone, with the result that the company is only exposed to marginal risks from exchange rate fluctuations. In order to cover the residual exchange rate risk, the Group implements targeted exchange rate management measures. Other financial risks are averted by a credit management system as well as by stringent receivables management and checks on creditworthiness.

Insurance risks

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

Other risks

Risks also result from rules and laws relating to tax, competition, and patents. In order to counteract such risks, REALTECH bases decisions and the design of business processes on extensive legal consulting both by its own experts and by declared external experts.

Although REALTECH essentially protects its rights, software, and intellectual property through copyright and trademarks, the company cannot entirely eliminate the possibility of its products being copied or existing rights being misused.

New laws or changed jurisprudence may give rise to legal rules that also effect past issues. REALTECH has formed the necessary balance-sheet provisions for such risks.

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





MANAGEMENT REPORT

OUTLOOK

The company's revenue and profit growth in the year under review confirm that REALTECH AG is pursuing the right strategy. The process of concentrating capacities and resources on profitable business fields and market regions, instigated in 2004 and consistently continued in the year under review, has certainly paid off. Thanks to stringent cost management and targeted investments in new, much-in-demand technologies and expertise, REALTECH is now able to present itself as an IT provider with a clear profile, benefiting from profitable growth both in consulting and in its product business.

Consolidated earnings were positive again in 2005 for the first time in several years. A particular improvement was seen in the earnings situation of the software enterprise area. Moreover, the company's other goals for the year under review have also all been achieved: REALTECH Italia, having recently been in deficit, has returned to profit, and the Group can also report extremely pleasing business results in its other core markets (for instance Germany and Spain).

However, the most important thing that REALTECH has achieved in the year under review is to lay sound foundations for high-margin growth in the years to come. Both the Group and its range of services have greatly matured in 2005. In the past, REALTECH was viewed as a provider who predominantly assisted customers with regard to the technical aspects of their IT systems. Although the Group has retained its superior know-how in this field, it now also enjoys an excellent reputation in all of its markets as a consulting partner able to provide users, particularly SAP users, with strategic and accordingly well-paid consulting services for their most important IT projects.

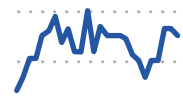
REALTECH is doing everything possible to expand this unique selling point over the next few years and to benefit from the growing demand for certified IT expertise. Companies from all industries round the globe are faced with the challenge of fundamentally extending their IT systems in the foreseeable future. Market analysts all agree that the changeover to service-oriented architectures (SOA) is inevitable. For most corporate groups and medium-sized businesses in REALTECH countries, this means paying a great deal of attention to the SAP NetWeaver integration platform. Major long-term projects relating to this SOA platform are being launched everywhere – in Germany, Spain, Italy, the US, or Japan – with the result that companies are greatly dependent on external consulting expertise. The same can also be said of the introduction of business management concepts which implement quality assurance specifications based on ITIL (Information Technology Infrastructure Library).

Consistently utilizing market opportunities

REALTECH recognized the new opportunities early on. In contrast to the majority of its competitors, REALTECH was convinced at the time SAP NetWeaver was launched that the technology would radically change the market for IT consulting. REALTECH consciously prepared for this dynamic change and has taken measures to adapt its own range of services accordingly. The company modified its consulting skills and its theGuard! family of software to meet the requirements of SAP NetWeaver and ITIL as early as 2004. REALTECH then explicitly further expanded these investment focuses in the year under review – for example as part of a major qualification campaign. The result is superior knowledge which makes the Group the leading solution provider for demanding SAP projects and systems on an international scale. This special position is also confirmed by admittance to several exclusive SAP partner programs.



6,51



16.08.05

Despite all the progress and success seen in the year under review, REALTECH AG still has a long way to go. This year, the Group will again implement various measures with a view to supplementing and refining its range of consulting services and software products to meet market and customer requirements. Clearly focusing on modern SAP system environments, REALTECH aims to realize superior IT offerings for precisely the market segments which are clearly the source of a sustained increase in demand.

The task of research and development is to cover new issues and technologies with theGuard! system management software as quickly as possible. The qualification campaign is also continuing: REALTECH will use all the means available to recruit world-class consultants and ensure that they have the necessary qualifications and certifications to reliably help customers benefit from the advantages of the SOA model. The funds for the necessary investments are generated through consistent cost management. Moreover, intensively communicating with users, customers, sales partners, and developers, REALTECH is developing the flexibility needed in order to be able to respond to changed market requirements more quickly than competitors in the future, too – regardless of whether this involves new customer demands or important innovations from software or hardware manufacturers.

The Executive Board of REALTECH AG is confident that the specific measures taken to upgrade its service portfolio will directly pay off. For example, the Executive Board expects to see profitable growth resulting as early as fiscal year 2006, enabling REALTECH to greatly expand its market shares. The Group's revenue growth is expected to be in the high one-digit range. As for the Group's income from operations in 2006, a growth rate of slightly over ten percent is possible.



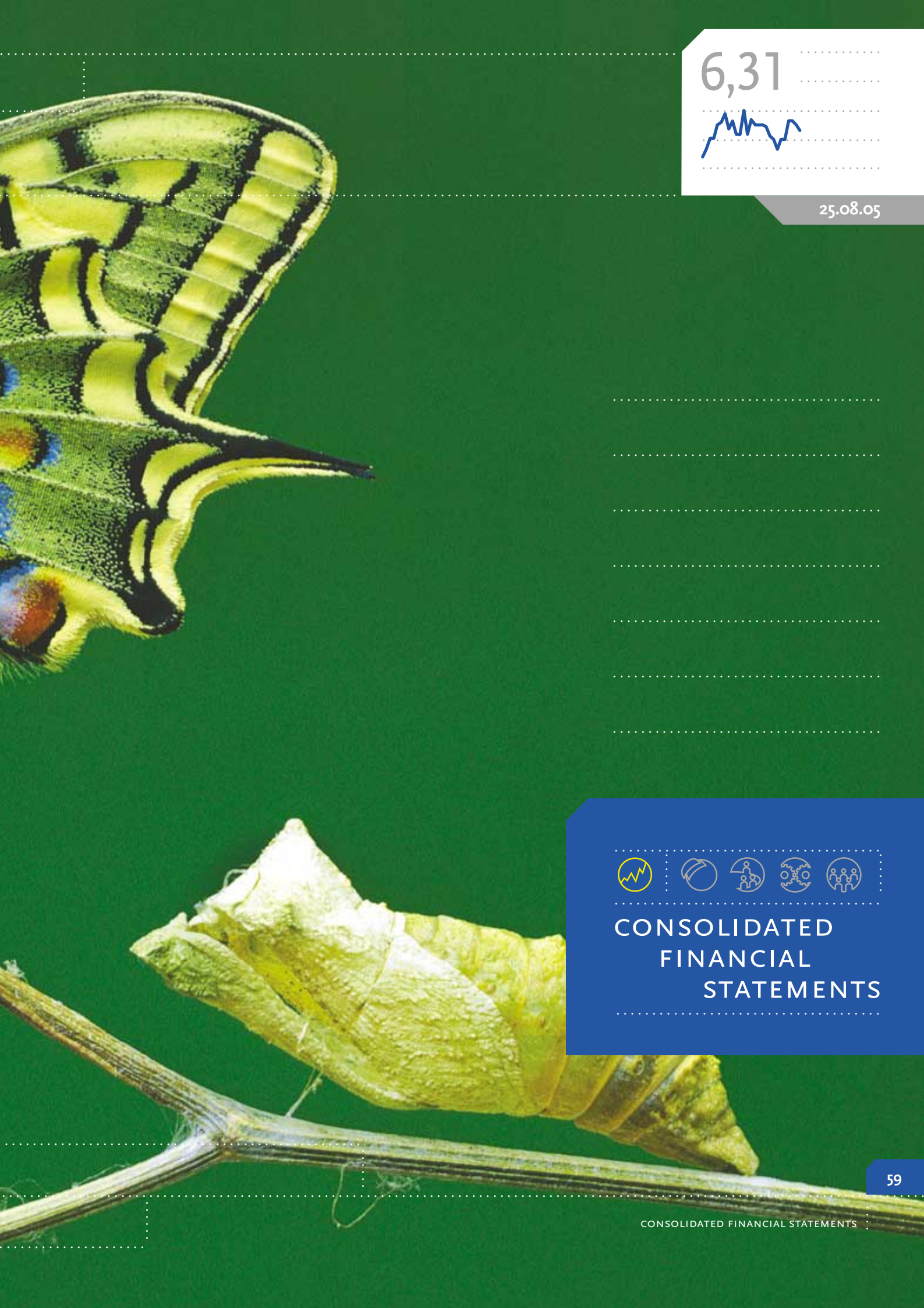


LIVING CHANGE

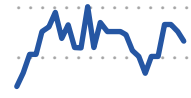


REALTECH AG has prepared its consolidated financial statements in accordance with the accounting standards of the international Accounting Standards Board (IASB) – i.e. the international Financial Reporting Standards (IFRS) as they must be applied in the EU – for the first time in fiscal year 2005.





6,31



25.08.05

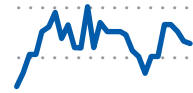


CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED BALANCE SHEETS

ASSETS		31.12.2005	31.12.2004
	Notes	EUR	EUR
Fixed assets	(8)		
Intangible assets			
Concessions, industrial rights and similar rights and assets		208.074	396.758
Software manufactured in-house		0	114.576
Payments on account		548	971
Goodwill		4.335.679	4.118.690
	(8)	4.544.301	4.630.995
Tangible assets			
Property, plant and equipment		8.272.105	8.417.140
Technical equipment and machines		74.602	39.901
Other equipment and office equipment		1.927.167	2.054.829
	(8)	10.273.874	10.511.870
Financial assets			
Interests in associates		0	717.551
Securities		21.080	5.904
Other loans		32.145	37.788
		53.225	761.242
Current assets			
Receivables and other assets	(10)		
Trade accounts receivables	(15)	14.643.373	15.715.947
Tax assets	(11)	454.343	817.090
Other assets		514.521	577.925
		15.612.237	17.110.962
Securities	(12)	16.471.444	18.811.913
Cash and cash equivalents		9.476.187	2.545.326
Deferred tax assets	(15)	879.126	1.140.124
Total assets		57.310.394	55.512.433



SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	31.12.2005 EUR	31.12.2004 EUR
Shareholders' equity	(13)		
Subscribed capital		6.467.414	6.467.414
Additional paid-in capital		33.228.257	33.228.257
Revaluation surplus		(179.046)	15.450
Cumulative translation differences		(23.239)	(102.714)
Retained earnings		3.943.669	2.833.270
		43.437.055	42.441.677
Minority interests	(14)	286.909	0
		43.723.964	42.441.677
Current liabilities			
Trade accounts payable	(17)	1.610.518	1.507.642
Income tax payable	(15)	992.950	767.315
Accrued expenses	(16)	7.424.287	6.507.387
Other current liabilities	(17)	1.920.682	2.856.962
Deferred revenues	(19)	1.001.445	880.741
		12.949.882	12.520.047
Deferred tax liabilities	(15)	636.548	550.709
Total shareholders' equity and liabilities		57.310.394	55.512.433



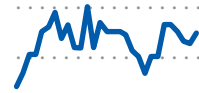
CONSOLIDATED STATEMENTS OF INCOME

	Notes	2005 EUR	2004 EUR
Revenues	(19)	50.046.887	47.074.991
Costs of revenues		30.972.167	29.047.799
Gross profit		19.074.720	18.027.192
Selling and marketing expenses		6.086.984	5.994.650
General and administrative expenses		6.974.496	8.718.583
Research and development expenses		5.077.156	4.640.796
Other operating expenses	(21)	1.073.603	946.738
Other operating income	(22)	1.825.499	1.977.308
Operating income		1.687.980	(296.267)
Net interest	(23)	379.881	517.755
Income from associated companies		121.737	162.385
Income from financial assets and securities		131.631	(136.031)
Foreign currency exchange gains / losses		76.512	(75.467)
Income before taxes (and minority interest)		2.397.742	172.375
Income taxes	(15)	1.219.417	578.891
Income before minority interest		1.178.325	(406.516)
Minority interest	(14)	(67.926)	o
Income before Discontinued Operations		1.110.399	(406.516)
Income from Discontinued Operations	(24)	o	(1.353.785)
Net income		1.110.399	(1.760.301)
Accumulated profit carried forward		2.833.270	914.753
Withdrawal from additional paid-in capital		o	3.678.819
Retained earnings		3.943.669	2.833.270
Earnings per share – basic	(26)	0,22	(0,35)
Earnings per share – diluted	(26)	0,21	(0,34)
Average number of shares outstanding – basic	(26)	5.092.452	5.092.452
Average number of shares outstanding – diluted	(26)	5.312.452	5.239.952



CONSOLIDATED STATEMENTS OF CASH FLOWS

6,49



12.09.05

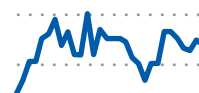
	2005 EUR	2004 EUR
Net income	1.110.399	(1.760.301)
Change in discontinued operations	0	488.243
Depreciation of fixed assets	1.431.783	2.049.217
Change in income tax payable	58.076	(487.044)
Payment for income taxes	167.559	46.107
Change in accrued expenses	916.900	(1.137.046)
Change in trade accounts receivable	1.072.574	3.136.644
Change in other assets	687.149	629.537
Change in trade accounts payable and in other current liabilities	(626.861)	(856.760)
Cash flow from operating activities	4.817.579	2.108.596
Asset disposals	29.424	58.935
Purchase of intangible assets	(240.980)	(133.672)
Purchase of tangible assets	(895.537)	(761.914)
Investment in financial assets	708.017	(16.342)
Change in current securities	1.960.588	(608.312)
Proceeds from interests	386.716	613.571
Payment for interests	(6.835)	(95.816)
Cash flow from investing activities	1.941.394	(943.550)
Change in financial liabilities	0	(3.834.689)
Other change in shareholders' equity and in minority interests	171.889	177.984
Cash flow from financing activities	171.889	(3.656.705)
Change in cash and cash equivalents	6.930.861	(2.491.659)
Cash and cash equivalents at beginning of the period	2.545.326	5.036.985
Cash and cash equivalents at end of the period	9.476.187	2.545.326



CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common stock Number	Subscribed capital EUR	Additional paid-in-capital EUR
December 31, 2002	5.077.586	6.467.414	36.798.418
Net income			
Unrealized profit/loss from securities translations incl. effects from its realization			
Translation adjustments			
Purchase of treasury stock	(1.420)		
December 31, 2003	5.076.166	6.467.414	36.798.418
Net income			
Unrealized profit/loss from securities translations incl. effects from its realization			
Translation adjustments			
Withdrawal from additional paid-in-capital			(3.678.819)
Purchase of treasury stock	16.286		108.657
December 31, 2004	5.092.452	6.467.414	33.228.257
Net income			
Unrealized profit/loss from securities translations incl. effects from its realization			
Translation adjustments			
Minority interests			
December 31, 2005	5.092.452	6.467.414	33.228.257

6,30



21.09.05

Revaluation surplus	Cumulative translation differences	Retained earnings	Minority interests	Treasury stock	Shareholders' equity
EUR	EUR	EUR	EUR	EUR	EUR
(72.891)	(10.244)	1.240.333	o	(19.002)	44.404.028
		(325.580)			(325.580)
(31.837)					(31.837)
	(20.802)				(20.802)
				(1.815)	(1.815)
(104.728)	(31.046)	914.753	o	(20.817)	44.023.994
		(1.760.301)			(1.760.301)
120.178					120.178
	(71.668)				(71.668)
		3.678.819			3.678.819
				20.817	20.817
15.450	(102.714)	2.833.270	o	o	42.441.677
		1.110.399			1.110.399
(194.496)					(194.496)
	79.475				79.475
			286.909		286.909
(179.046)	(23.239)	3.943.669	286.909	o	43.723.964



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1. Basis of preparation of the consolidated financial statements

REALTECH AG has prepared its consolidated financial statements in accordance with the accounting standards of the International Accounting Standards Board (IASB) – i.e. the International Financial Reporting Standards (IFRS) as they must be applied in the EU – for the first time in fiscal year 2005. The IAS, IFRS, and corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC) applicable on December 31, 2005 have been taken into account. The figures for the previous year have also been determined based on the same standards. Changing over Group accounting from US-GAAP to IFRS on January 1, 2004 did not have any consequences for the Group's equity.

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

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

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

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

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

2. Companies included in the consolidated financial statements

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

REALTECH System Consulting GmbH, Walldorf, Germany, 100%

REALTECH Sales GmbH, Walldorf, Germany, 100%

DB-Online GmbH, Walldorf, Germany, 100%

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

GloBE Technology GmbH, Walldorf, Germany, 100%

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

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

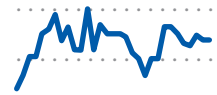
REALTECH Portugal System Consulting Sociedade Unipessoal, L.d.a., Lisbon, Portugal, 100%

REALTECH Inc., Newtown Square, USA, 100%

REALTECH Ltd., Auckland, New Zealand, 100%

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

REALTECH Japan Co., Ltd., Tokyo, Japan, 54.06%



The group of consolidated companies has changed as follows since December 31, 2004: REALTECH UK Ltd. in Bracknell, England, which was previously a fully consolidated subsidiary, was wound up at the end of 2005 and is therefore no longer included in the consolidated companies. As the company had already ceased to present operational business in fiscal year 2004, there were no consequences for the consolidated financial statements with regard to the year-on-year comparison.

In contrast, REALTECH Japan Co., Ltd., Tokyo, Japan, was included in the consolidated financial statements for the first time as a result of the company increasing its holding from 49.99% to 54.06% as of January 1, 2005 and therefore acquiring a majority percentage. This transaction results in goodwill to the amount of EUR 240 thousand. The first-time consolidation of REALTECH Japan resulted in sales revenues of EUR 2,189 thousand in fiscal year 2005 and a profit or loss for the period of EUR 80 thousand.

Of the German subsidiaries with the legal form of a corporation, REALTECH System Consulting GmbH, Walldorf, LMC-LAN Management Consulting GmbH, Schweitenkirchen, and REALTECH Sales GmbH, Walldorf fulfilled the requirements stipulated in Section 264 Paragraph 1 of the HGB for utilizing the exemption regulation. The company thus refrains from disclosing the annual financial statements.

3. Consolidation methods

The consolidated financial statements are based on annual financial statements that the companies included in the Group have prepared following the uniform IFRS rules. They have been checked by independent auditors. In accordance with the IFRS specifications, initial consolidation is carried out at the time of purchase, while deconsolidation is carried out at the time of sale.

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

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

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

4. Currency translation

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Associates

The company no longer had any associates on December 31, 2005. The 49.00% interest in E-City S.r.l, Milan, held through REALTECH Italia S.p.A. on December 31, 2004 was sold in the year under review. In addition, REALTECH AG held an interest of 49.99% in REALTECH Japan Ltd., Tokyo, on December 31, 2004. Economically effective as of January 1, 2005, the interest has been increased to 54.06%, with the consequence that REALTECH Japan was fully consolidated for the first time in the year under review.

6. Summary of significant accounting policies

Intangible assets

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

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

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

The impairment tests are carried out for the defined cash generating units based on the rules of IAS 36 using the discounted cash flow method. The data from corporate planning is used for this. This is based on a three-year period. As it is assumed that the acquired goodwill will be utilized in the long term, the last planning phase has been continued without a growth markup. The two segments of consulting and software are defined as cash generating units. The goodwill of EUR 4,336 thousand recognized on December 31, 2005 is made up of EUR 2,634 thousand from the consulting segment and EUR 1,702 thousand from the software segment.

Tangible assets

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

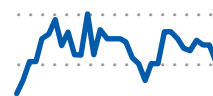
Write-downs on tangible assets are carried out in accordance with IAS 36, as long as the recoverable amount of the asset is higher than the carrying amount. The recoverable amount of an asset is defined as the higher of its net realizable value and its value in use. If the reasons for carrying out write-downs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

Leasing

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

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

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



Receivables

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

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

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

Deferred taxes

Deferred taxes are recognized, in accordance with IAS 12, for all temporary differences between the carrying amounts in the consolidated balance sheet and the tax base of assets and liabilities, as well as for tax loss carry-forwards. Deferred tax assets for accounting and measurement differences as well as for tax loss carryforwards are only recognized if it is sufficiently probable that these differences will lead to the corresponding benefits in the future. Deferred tax assets and liabilities are set off against one another if the tax creditors are identical and the payment periods match.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, bank balances and fixed-term deposits with terms of up to 3 months. The securities item only includes highly liquid short-term financial investments which can be converted into certain cash amounts at any time and are only subject to insignificant value fluctuations.

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

Liabilities

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

Accrued expenses

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

No accrued expenses have been made for expenses because there is no external obligation in this case.

The established accrued expenses are assigned to current liabilities.

Use of estimates

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

Discontinued operations

IFRS 5 requires special treatment of assets (business units) which are intended to be sold and are no longer intended to benefit the Group's business operations in the long run.

As of the point in time at which the companies are classified as discontinued operations, their non-current assets cease to be subject to depreciation. The assets and liabilities are recognized at the carrying amount or the lower selling price less selling costs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenues

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

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

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

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

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

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

Costs of revenues

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

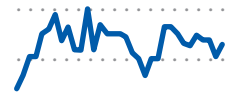
Research and development expenses

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

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

When the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) are adopted for the first time, this must be done retrospectively as specified by IFRS 1. This means that the adjustments that need to be made to the accounting policies for the first-time adoption of IFRS/IAS must be made retrospectively as if the financial statements had always been prepared in accordance with IFRS/IAS.

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



- Goodwill is subject to a regular impairment test. It is no longer amortized.
- Available-for-sale securities are measured at their fair value, even if this value exceeds the cost. Price gains and losses are recognized in the income statements.
- Revenues from fixed-price projects are accounted for based on the percentage of completion.
- Buildings are depreciated in line with their probable useful life, not based on tax scales.
- Leasing agreements which meet the more restrictive requirements for financial leasing defined by IFRS are recognized in the balance sheet as an asset or leasing liability.
- Provisions are only made for obligations to third parties if the probability of a claim being made is at least 50 percent. Medium-term and long-term provisions are recognized at their present value. No provisions are made for neglected maintenance or for expenditure.
- According to IFRS there is a general obligation to recognize deferred taxes for all temporary differences between the tax values and the values recognized in the consolidated balance sheet, whereby quasi-permanent differences must also be classified as being temporary. When it comes to calculating deferred taxes, the tax rate that must be applied is that which will be valid in the future at the time when the tax deferral is likely to be reversed based on the legal situation in the various countries on the balance sheet date.

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

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

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



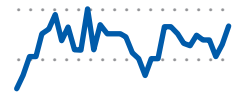
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT

8. Fixed assets

Fixed assets changed as follows:

	Acquisition and manufacturing costs				
	01.01.2005 TEUR	Additions TEUR	Disposals TEUR	Currency translation adjustments TEUR	31.12.2005 TEUR
Concessions, industrial rights and similar rights and assets and licences in such rights and assets	1.842	0	7	0	1.835
Software manufactured in-house	4.741	0	0	0	4.741
Payments on account	8	1		0	9
Goodwill	6.858	240	23	0	7.075
Intangible assets	13.449	241	30	0	13.660
Property, plant and equipment	9.834	162	0	0	9.996
Technical equipment and machines	73	112	4	0	181
Other equipment and office equipment	6.920	622	88	42	7.496
Tangible assets	16.827	896	92	42	17.673
Interests in associates	803	0	803	0	0
Loans to associates	6	16	1	0	21
Securities	38	0	6	0	32
Financial assets	847	16	810	0	53
	31.123	1.153	932	42	31.386



Accumulated depreciation

Net book values

01.01.2005	Accumulated depreciation			Currency translation adjustments	31.12.2005	Net book values	
	TEUR	Additions TEUR	Disposals TEUR			TEUR	31.12.2005 TEUR
1.445	181	0	1	1.627	208	397	
4.626	115	0	0	4.741	0	115	
2.739	0	0	0	2.739	4.336	4.119	
7	1	0	1	9	0	1	
8.817	297	0	2	9.116	4.544	4.632	
1.417	307	0	0	1.724	8.272	8.417	
33	77	4	0	106	75	40	
4.865	751	78	31	5.569	1.927	2.055	
6.315	1.135	82	31	7.399	10.274	10.512	
86	0	86	0	0	0	717	
0	0	0	0	0	21	6	
0	0	0	0	0	32	38	
86	0	86	0	0	53	761	
15.218	1.432	168	33	16.515	14.871	15.905	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

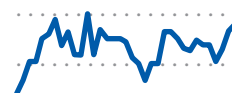
9. Ownership interests

On December 31, 2005, REALTECH AG directly held interests of at least 20% in the following companies:

	Share of capital %	Equity 31.12.2005 TEUR	Net income 2005 TEUR
REALTECH System Consulting GmbH, Walldorf, Germany	100,0	26	1)
REALTECH Sales GmbH, Walldorf, Germany	100,0	24	1)
DB-Online GmbH, Walldorf, Germany	100,0	157	2
LMC-LAN Management Consulting GmbH, Schweitenkirchen, Germany	100,0	39	1)
GloBE Technology GmbH, Walldorf, Germany	100,0	231	2
REALTECH Italia S.p.A., Agrate Brianza, Italy	100,0	2.217	(67)
REALTECH System Consulting, S.L., Madrid, Spain	100,0	1.335	283
REALTECH Portugal System Consulting Sociedade Unipessoal, L.d.a., Lisboa, Portugal	100,0	0	(29)
REALTECH Inc., Newtown Square, USA	100,0	(8)	185
REALTECH Ltd., Auckland, New Zealand	100,0	530	(234)
REALTECH System Consulting Pte. Ltd., Singapore	100,0	59	15
REALTECH Japan Co., Ltd., Tokyo, Japan	54,1	625	148

1) A profit and loss transfer agreement exists.

Delivery and service relationships exist between the associates.



10. Trade accounts receivables

	2005 TEUR	2004 TEUR
Trade accounts receivables	15.378	16.656
Allowances	735	940
	14.643	15.716

The trade accounts receivables are all due in the short term. The allowances have been calculated based on past experience of payment defaults.

11. Other assets

	2005 TEUR	2004 TEUR
Advance wage and travel cost payments	130	173
Prepaid expenses	244	191
Sundry	141	209
	515	578

12. Securities

Excess funds are invested in part in interest-bearing securities, quoted in euros, with short-term or medium-term residual terms or in mutual funds that invest in such assets until further equity interests are acquired. The Group has therefore classified these securities as available for sale.

There are no trading securities. The securities item is broken down as follows:

	Purchase price TEUR	Market value 31.12.2005 TEUR	Unrealized gain 2005 TEUR	Unrealized loss 2005 TEUR
Interest-bearing securities	4.110	3.935	–	175
Mutual funds	12.408	12.536	128	–
	16.518	16.471	128	175



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

13. Shareholders' equity

Subscribed capital

The subscribed capital is unchanged at EUR 6,467,414.04 and is divided into 5,092,452 no-par value shares. The shares are in the name of the holder.

Authorized capital

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

Contingently issuable shares

The General Meeting resolved a conditional capital increase in the amount of EUR 63,500 for the purpose of granting options to subscribe to a total of 50,000 no-par value shares on one or more occasions before April 1, 2004. Please also refer to the section on Stock Option Plan I below.

In addition, the General Meeting of May 22, 2000 resolved a conditional capital increase in the amount of EUR 571,500.00 for the purpose of granting options to subscribe to a total of 450,000 no-par value shares on one or more occasions before May 22, 2005. Please also refer to the section on Stock Option Plan II below. For the purpose of granting shares to the holders of convertible and/or warrant-linked bonds, the General Meeting on May 16, 2002 decided to implement a conditional capital increase of up to EUR 2,598,707.02 by issuing up to 2,046,226 new shares by May 15, 2007. Please also refer to the section on Convertible Bond program below.

Share-based remuneration

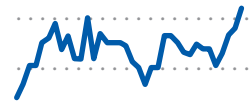
REALTECH AG has various stock option programs for Executive Board members, senior executives, and other employees in the Group which, due to consideration of the exercise conditions during assessment, have not led to staff costs in accordance with IFRS 2.

Stock option plan I

Stock Option Plan I expired on April 1, 2004. A total of 5,271 options from this option plan are still in circulation at an exercise price of EUR 64.80. These expire on December 31, 2006.

Stock option plan II

Stock Option Plan II provides for the issue of 450,000 free options to purchase no-par value shares of REALTECH AG.



❖ **The following are authorized to exercise the options:**

- Employees of REALTECH AG, to whom a total of up to 22,500 stock options can be issued;
- The management of companies associated with REALTECH AG within the meaning of Section 15 of the AktG (German Stock Corporation Act), to whom a total of up to 72,000 stock options can be issued;
- The employees of companies associated with REALTECH AG within the meaning of Section 15 of the AktG, to whom a total of up to 328,500 stock options can be issued;
- New members of REALTECH's Executive Board, to whom a total of up to 27,000 stock options can be issued;

Each stock option grants the holder the non-transferable right to subscribe to one new ordinary share of REALTECH AG. The new shares carry profit participation rights from the beginning of the fiscal year in which they are issued.

The purchase and exercise periods for the stock options are as follows:

- The stock options are issued in four tranches, starting in 2000 and in the following three years. The stock options are only issued to the authorized subscribers on the first working day of the month of July, but at the latest by the end of the month of July ("purchase period").
- The stock options can only be exercised after a period of two years following the corresponding date of issue.
- The stock options can only be exercised by the authorized holder within a period of two weeks after the quarterly report is published ("exercise window").
- The maximum term of the stock options is seven years. The term begins with the date of issue ("exercise period").

The exercise price (strike price) for purchasing a new share must be at least: 130% of the average market price of REALTECH AG shares at the close of trading on the Frankfurt Stock Exchange's Neuer Markt on the ten trading days preceding the issue of the stock options ("success goal").

The further details for granting stock options and determining exercise conditions are established by REALTECH AG's Executive Board and – if members of the Executive Board are affected – by REALTECH AG's Supervisory Board. From Stock Option Plan II, 168,189 options were issued in 2000 and 225,079 options were issued in 2001.

In the year under review, 1,750 options issued in 2000 expired and 4,000 options issued in 2001 expired. There were no other changes in the year under review.

The options issued to date did not have any consequences for the profit and loss account.

❖ **Convertible bond program**

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In fiscal year 2002, convertible bonds were issued with the following conditions:

Issue date	July 31, 2002
Face value	EUR 1.00
Total face value of the convertible bond	EUR 1,000
Term	July 30, 2007
Interest rate	6.0% p.a.
Additional amount to be paid per share	EUR 5.11
Issued options	100,000
Earliest time of conversion	July 31, 2004
Latest time of conversion	July 30, 2007

In fiscal year 2003, convertible bonds were issued with the following conditions:

Issue date	July 31, 2003
Face value	EUR 1.00
Total face value of the convertible bond	EUR 100
Term	July 30, 2008
Interest rate	6.0% p.a.
Additional amount to be paid per share	EUR 5.88
Issued options	10,000
Earliest time of conversion	July 31, 2005
Latest time of conversion	July 30, 2008



In fiscal year 2004, convertible bonds were issued with the following conditions:

Issue date	July 31, 2004
Face value	EUR 1.00
Total face value of the convertible bond	EUR 1,000
Term	July 30, 2009
Interest rate	5.0% p.a.
Additional amount to be paid per share	EUR 6.99
Issued options	100,000
Earliest time of conversion	July 31, 2006
Latest time of conversion	July 30, 2009

In fiscal year 2005, convertible bonds were issued with the following conditions:

Issue date	July 18, 2005
Face value	EUR 1.00
Total face value of the convertible bond	EUR 450
Term	July 17, 2010
Interest rate	5.0% p.a.
Additional amount to be paid per share	EUR 6.97
Issued options	45,000
Earliest time of conversion	July 18, 2007
Latest time of conversion	July 17, 2010



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Issued options

The following table summarizes information about the company's stock options as of December 31, 2005. The options were issued under Option Plan II in 2000 and 2001. Convertible bonds were issued in the years 2002 to 2005.

Year of issue	Number	Outstanding options		Exercisable options	
		Weighted average exercise price EUR	Number	Weighted average exercise price EUR	Number
1999	5.271	64,80	5.271	64,80	
2000	77.731	53,87	77.731	53,87	
2001	132.006	10,80	132.006	10,80	
2002	87.500	5,12	35.000	5,12	
2003	10.000	5,89	10.000	5,89	
2004	100.000	7,00	–	–	
2005	45.000	6,97	–	–	
	457.508	16,34	260.008	23,82	

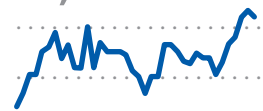
14. Minority interests

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

15. Income taxes

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

	2005 TEUR	2004 TEUR
Current tax expenses	900	1.135
Deferred tax expenses (net)	319	(556)
Tax expenses	1.219	579



The Group's income taxes are reconciled in the following table. The corporation tax rate to be applied amounts to 25% plus the solidarity surcharge of 5.5%. The Group must also make trade tax payments in the amount of 13.5%. This amounts to an expected income tax liability of 39.9%.

	2005 TEUR	2004 TEUR
Expected tax expenses	957	69
IRAP (Italy)	392	456
Tax rate difference (Germany)	(93)	(124)
Tax rate difference (other countries)	(37)	132
Depreciation of Grau Data Storage AG	–	46
Tax expenses	1.219	579

The tax provisions of EUR 993 thousand (previous year: EUR 767 thousand) all involve current income taxes payable.

The full amount of taxes receivable of EUR 454 thousand (previous year: EUR 817 thousand) represents current income taxes receivable.

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

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

	2005 TEUR	2004 TEUR
Deferred tax assets	879	1.140
Deferred tax liabilities	636	551



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2005 TEUR	2004 TEUR
Tax loss carryforwards	465	616
Goodwill	414	524
Deferred tax assets	879	1.140

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

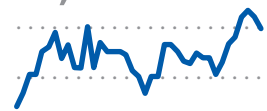
	2005 TEUR	2004 TEUR
Fixed assets	485	551
Securities	151	0
Deferred tax liabilities	636	551

Deferred tax liabilities are essentially based on differences in the measurement of fixed assets especially in the case of buildings.

16. Accrued expenses

Accrued expenses changed as follows in fiscal year 2005:

	On 01.01.2005 TEUR	Consumption/ Release TEUR	Addition TEUR	On 31.12.2005 TEUR
Provisions for employees	2.735	1.512	1.372	2.595
Vacation accruals	1.806	1.156	1.365	2.015
Bonuses and severance payments	1.336	1.293	1.841	1.884
Legal and consulting charges	157	154	206	209
Outstanding invoices	310	310	293	293
Salaries and severance payments	113	113	171	171
Other	50	50	257	257
	6.507	4.588	5.505	7.424



In accordance with legal provisions, a provision in the amount of EUR 1,779 thousand was established to cover the possible departure of Italian employees from the company (previous year: EUR 1,943 thousand). The provision is measured in the amount of one month's wages per year of employment.

17. Liabilities

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

	Residual term		Total amount TEUR	Type of collateralization	2004 TEUR
	Up to 1 year TEUR	More than 5 years TEUR			
Trade accounts payables	1.611	–	1.611	Usual retention of title	1.508
Other current liabilities	1.921	–	1.921	–	2.851
- in the context of social security	412	–	412	–	387
	3.532		3.532		4.365

Other current liabilities include sales tax and wage tax liabilities in the amount of EUR 1,326 thousand (previous year: EUR 1,001 thousand).

18. Deferred revenues

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

19. Revenues

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



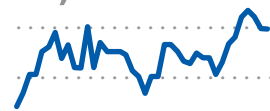
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Segment reporting

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

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

	Consulting		Software	
	31.12.2005 TEUR	31.12.2004 TEUR	31.12.2005 TEUR	31.12.2004 TEUR
External revenues	39.773	37.284	10.274	9.791
Income from segments	2.922	2.601	(482)	(1.894)
Unallocated income / expenses				
Operating income				
Interest expenses				
Interest income				
Income / expenses from associated companies				
Income / expenses from financial assets and securities				
Foreign currency exchange gains / losses				
Income before taxes				
Income taxes				
Minority interests				
Income from discontinued operations				
Net income				
Segment assets	19.501	20.623	8.488	8.774
Unallocated corporate assets				
Consolidated total assets				
Segment liabilities	9.727	9.715	2.586	2.583
Unallocated corporate liabilities				
Consolidated total liabilities				
Investment	898	715	239	190
Depreciation	1.131	1.619	301	430
Non-cash expenditure other than depreciation	903	(1.247)	240	(331)



Total		Corporate	
31.12.2005 TEUR	31.12.2004 TEUR	31.12.2005 TEUR	31.12.2004 TEUR
50.047	47.075	50.047	47.075
2.440	707	2.440	707
		(752)	(1.003)
		1.688	(296)
		7	96
		387	614
		122	162
		132	(136)
		76	(76)
		2.398	172
		1.219	579
		(68)	0
		0	(1.354)
		1.110	(1.760)
27.990	29.397	27.990	29.397
		28.684	25.893
		56.674	55.290
12.313	12.298	12.313	12.298
		637	551
		12.950	12.849
1.137	905	1.137	905
1.432	2.049	1.432	2.049
1.143	(1.578)	1.143	(1.578)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Secondary segment information

	Revenues		Book value assets		Investment in intangible and tangible assets	
	31.12.2005 TEUR	31.12.2004 TEUR	31.12.2005 TEUR	31.12.2004 TEUR	31.12.2005 TEUR	31.12.2004 TEUR
Germany	21.653	21.226	40.200	39.373	843	499
Rest of Europe	21.058	20.744	13.296	13.893	167	352
USA	2.483	2.145	842	723	10	8
Asia Pacific	4.853	2.960	2.335	1.301	116	46
Total	50.047	47.075	56.673	55.290	1.136	905

21. Other operating expenses

This item essentially contains expenses for rent and leasing.

22. Other operating income

The other operating income particularly involves rental income.

23. Net interest

Net interest essentially consists of interest income for fixed-term deposits and interest-bearing securities. Interest income amounted to EUR 387 thousand. Interest expense was EUR 7 thousand.

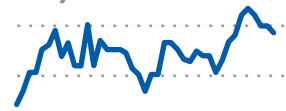
24. Discontinued operations

By contract of January 18, 2005, the company sold 100% of its shares in REALTECH Australia Pty Ltd. This sale was economically effective as of December 31, 2004, and took place as part of an MBO. The sale agreement is final and REALTECH does not hold any sustained interest in the sold company. The company recorded a capital loss of EUR 491 thousand for this sale in fiscal year 2004.

OTHER INFORMATION

25. Consolidated statements of cash flows

The statements of cash flows is prepared in accordance with IAS 7 and, separated into cash inflows and outflows, shows the development of cash flows generated from operating, investing, and financing activities. The cash flow is determined, using the indirect method, from the consolidated financial statements of REALTECH AG. The cash involved in the statements of cash flows comprises all cash and cash equivalents presented in the balance sheet, i.e. cash in hand, checks, and bank balances (provided they are available within three months). The cash is not subject to any restrictions.



26. Earnings per share

According to IAS 33, earnings per share are determined from net income and the average number of outstanding shares during the year. The option program in 2001 and the convertible bond programs in 2002 to 2005 gave rise to the following dilution effects on December 31, 2004 and on December 31, 2005:

	2005	2004
Net income	1.110.399 EUR	(1.760.301) EUR
Earnings per share – basic	0,22 EUR	(0,35) EUR
Earnings per share – diluted	0,21 EUR	(0,34) EUR
Average number of shares outstanding – basic	5.092.452 Number	5.092.452 Number
Average number of shares outstanding – diluted	5.312.452 Number	5.239.952 Number

27. Other financial obligations

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

	TEUR
2006	2.414
2007	1.667
2008	1.377
2009	1.170
2010	1.106
2011 and following years	4.492
	12.226

Rental and leasing expenses were EUR 1,998 thousand in the year under review and EUR 2,020 thousand the previous year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Special-purpose entity

The second part of REALTECH's administrative building in Walldorf, the property in Industriestraße 41, was constructed by PUDU Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Walldorf KG, Düsseldorf. As part of a property leasing agreement, REALTECH has rented the building for a period of 15 years. The rental period began on June 1, 2002. The company does not have a right to acquire the building. PUDU Grundstücks-Vermietungsgesellschaft is a special-purpose entity as defined by SIC 12. As a result of applying the interpretation to this company, the REALTECH Group is not considered to be the company's primary beneficiary. The Group's obligations in connection with the leasing agreement are part of the minimum rent payments from leasing agreements listed under "Other financial obligations". These amount to EUR 7,977 thousand from December 31, 2005 up to the end of the term of the agreement. No other obligations or risks of loss result from the leasing agreement with PUDU Grundstücks-Vermietungsgesellschaft.

29. Bodies of the company

Supervisory Board

Dieter Matheis (Chairman)
Management consultant

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

Richard Roy (Deputy Chairman)

Management consultant

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

Norbert Schwerber

Auditor and tax advisor

- Supervisory Board (Chairman) of Nieding + Barth Rechtsanwaltsaktiengesellschaft, Frankfurt
- Supervisory Board (Chairman) of VEDACON AG, Montabaur
- Supervisory Board of Bis AG, Rimpar
- Supervisory Board of Cosmetic Service AG, Eppertshausen
- Advisory Board of Hugo Görner GmbH, Aalen

Resigned from the Supervisory Board:

Peter Stier, as of May 24, 2005

Executive Board

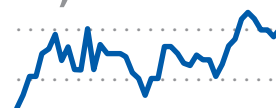
Nicola Glowinski (Chairman)

Dr. Rudolf Caspary (technology)

Jürgen Zahn (finance), since July 18, 2005

Resigned from the Executive Board:

Michael Knopp (finance), as of April 30, 2005



30. Remuneration of the Executive and Supervisory Boards

Remuneration received by the Executive Board in fiscal year 2005 totaled EUR 1,213 thousand (compared to EUR 580 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 803 thousand (previous year: EUR 433 thousand), while variable remuneration totaled EUR 410 thousand (previous year: EUR 147 thousand). A total of 45,000 options were granted in fiscal year 2005 (previous year: 90,000) at an exercise price of EUR 6.97 (previous year: EUR 7.00).

Remuneration received by the Supervisory Board in fiscal year 2005 totaled EUR 65 thousand (previous year: EUR 78 thousand). No variable remuneration was paid. The Supervisory Board received EUR 2 thousand in 2005 for consulting services (previous year: EUR 6 thousand).

31. Directors' dealings

Changes in numbers of REALTECH stock options and convertible bonds held by members of the Executive Board of REALTECH AG in fiscal year 2005 can be seen in the following table:

	Dr. Rudolf Caspary	Nicola Glowinski	Jürgen Zahn
On December 31, 2004	45.750	40.000	0
Additions	0	15.000	30.000
Disposals	0	0	0
On December 31, 2005	45.750	55.000	30.000

As in the previous year, the members of the Executive Board did not hold any REALTECH shares in fiscal year 2005.

As in the previous year, the members of the Supervisory Board did not hold any REALTECH shares or REALTECH stock options or convertible bonds in fiscal year 2005.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Related party disclosures

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

In addition, the disclosure obligation according to IAS 24 covers transactions with associates and with individuals who exercise a significant influence over the financial and operational decisions of the REALTECH Group, including close family members and intermediary companies. Here, a significant influence over the financial and business policies of the REALTECH Group may be based on an interest in REALTECH AG of 20% or more, a place on the Supervisory Board or Executive Board of REALTECH AG, or some other key management position. In fiscal year 2005, no companies of the REALTECH Group performed transactions that require reporting with members of the Supervisory or Executive Boards of REALTECH AG or with other members of management in key positions or companies in which these individuals are represented on management or supervisory committees. This is also true of the close family of this group of individuals.

33. Employees

The REALTECH Group had 535 employees on December 31, 2005, while the figure on December 31, 2004 was 537.

34. Auditor fees in accordance with Section 314, Paragraph 1, No. 9 of the HGB (German Commercial Code)

The auditor fees for the individual and consolidated financial statements of REALTECH AG amounted to EUR 55 thousand.

35. Data in accordance with Section 160, Paragraph 1, No. 8 of the AktG (German Corporation Act)

In fiscal year 2005, the following reports on the existence of interests were submitted to REALTECH AG and were published:

Mr. Markus Adam, Germany, informed us in accordance with Section 21, Paragraph 1 and Section 25, Paragraph 1 of the WpHG (Securities Trading Law) that his interest fell below the threshold of 5% on February 14, 2005 and that he now holds 3.75% of voting rights in REALTECH AG, Walldorf.

Axxion S.A., Munsbach, Luxembourg, informed us in accordance with Section 21, Paragraph 1 and Section 25, Paragraph 1 of the WpHG (Securities Trading Law) that its interest rose above the threshold of 5% on June 30, 2005 and that it now holds 5.4% of voting rights in REALTECH AG, Walldorf.

36. Declaration with respect to the German Corporate Governance Code in accordance with Section 161 of the AktG

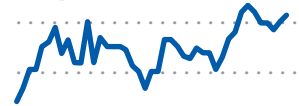
On November 25, 2005 the Executive and Supervisory Boards submitted their fourth compliance declaration in accordance with Section 161 of the AktG and made it permanently available to shareholders on the company's Web site.

Walldorf, February 2006
REALTECH AG
The Executive Board



AUDITORS' OPINION

7,19



16.01.06

Unqualified Auditors' Opinion on Statutory Audits of Consolidated Financial Statements Prepared Pursuant to Section 315a HGB (German Commercial Code) that Comply with Full IFRS

We have audited the consolidated financial statements prepared by the REALTECH AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2005 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, Paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and

expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Heidelberg, February 15, 2006

Grant Thornton GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Harald Riedel Franz-Josef Appel
Wirtschaftsprüfer Wirtschaftsprüfer

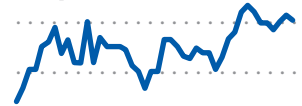


REALTECH AG BALANCE SHEETS

		31.12.2005 EUR	31.12.2004 EUR
ASSETS			
Fixed assets			
Intangible assets	Concessions, industrial rights and similar rights and assets and licenses in such rights and assets	66.407,00	83.407,00
Tangible assets	Other equipment and office equipment	17.009,00	15.347,00
Financial assets	Investments in affiliated companies	27.570.041,72	27.056.564,01
	Loans to affiliated companies	2.715.000,00	9.483.172,84
	Investment securities	0,00	477.236,32
Current assets			
Accounts receivable and other assets	Accounts receivable due from related parties	11.363.920,78	6.679.402,73
	Other assets	0,00	276.107,42
Securities		16.284.136,38	18.680.854,11
Cash and cash equivalents		6.793.228,82	982.901,28
Prepaid expenses		33.665,53	25.833,33
Total assets		64.843.409,23	63.760.826,04
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	Subscribed capital	6.467.414,04	6.467.414,04
	Additional paid-in-capital	55.614.967,69	55.614.967,69
	Retained earnings	1.049.527,79	0,00
Accrued expenses			
	Tax accruals	261.450,95	0,00
	Other accrued expenses	718.827,37	412.417,26
Liabilities			
	Convertible bonds	2.550,00	2.100,00
	Trade accounts payable	45.398,03	25.785,23
	Accounts payable to affiliated companies	397.907,48	385.819,02
	Other liabilities	285.365,88	852.322,80
Total liabilities and shareholders' equity		64.843.409,23	63.760.826,04



7,05



STATEMENTS OF INCOME

25.01.06

	2005	2004
	EUR	EUR
Other operating income	377.626,79	613.418,69
Personnel expenses		
a) Wages and salaries	1.831.713,60	1.484.385,19
b) Social security and retirement costs	185.063,33	213.029,27
Depreciation of intangible and fixed assets	36.799,70	40.104,60
Other operating expenses	975.187,86	1.524.244,74
Income from investments	3.817.895,91	3.110.542,28
Income from the transfer of profits	484.384,29	788.101,43
Interest income	187.759,00	4.394.616,45
Depreciation of financial assets and current securities	1.411,05	1.458,36
Interest expenses	9.621,10	9.493,06
Income from ordinary activities	1.452.351,35	(3.155.269,27)
Income taxes	390.241,15	(28.934,79)
Other taxes	12.582,41	0,00
Net income / loss	1.049.527,79	(3.126.334,48)
Accumulated loss carried forward	0,00	(573.301,35)
Withdrawal from additional paid-in-capital	0,00	3.678.818,56
Withdrawal from / transfer to treasury stock	0,00	20.817,27
Retained earnings	1.049.527,79	0,00



REPORT OF THE SUPERVISORY BOARD



Dieter Matheis, Chairman

Dear shareholders,

Collaboration between the Supervisory Board and the Executive Board was characterized by intense and regular communication. Both bodies of the company extended this dialog over the past fiscal year in accordance with the 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 regularly reported to the Supervisory Board promptly and extensively in writing about company strategy and corporate planning, about the course of business, about the situation of the Group including the risk situation, and about risk management. The Executive Board consulted the Supervisory Board regarding 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 essential operations.



Meetings and committees

In the fiscal year 2005, the Supervisory and Executive Boards met on five occasions to discuss in depth the business situation of the Group, the ongoing strategic development of 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 for individual business transactions and measures of the Executive Board, we discussed these issues and reached the necessary decisions during the meetings of the Supervisory Board.

The Supervisory Board set up an accounting audit committee and a personnel committee in 2001 in order to enhance its own efficiency and to comply with the recommendations of the German Corporate Governance Code.

For instance, the accounting audit committee examined annual and consolidated financial statements, checked quarterly statements, and worked with the auditors to define key audit issues. The personnel committee was primarily responsible for dealing with personnel issues relating to the Executive Board. The decision of the General Meeting on May 24, 2005 to reduce the number of Supervisory Board members from six to three made the formation of committees obsolete. All members of the Supervisory Board have a say on all issues to be decided.

The Supervisory Board meetings held in fiscal year 2005 concentrated in particular on the implementation of corporate strategy in the company's two business fields of consulting and software. 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 restore profitability. Other issues discussed included questions regarding human resources, successors, and corporate governance.

At the meeting in January 2005, the Supervisory Board considered aspects such as the provisional figures for the fourth quarter of 2004 and fiscal year 2004, budget planning for 2005, as well as the Group's basic strategy and future orientation. Furthermore, decisions were made regarding transactions requiring approval such as the bonus agreement for the Executive Board.

The February meeting focused in particular on the provisional figures for 2004, the outlook for the first quarter of 2005, the 2005 budget, approval of the agenda for the General Meeting in 2005, and the membership of the Supervisory Board following the 2005 General Meeting.

The focus of the meeting in March was on the reports submitted by the auditors and the accounting audit committee, the approval and adoption of the consolidated and annual financial statements for 2004, and the forecast figures for the first quarter of 2005.



REPORT OF THE SUPERVISORY BOARD

The meeting in September concentrated not only on analyzing the figures for the second quarter of 2005 and the current business situation but also on how to proceed in the two segments of consulting and software. In addition, decisions were made with regard to business transactions that require communication and approval. The session in November was used to analyze the figures for the third quarter of 2005 as well as to discuss the outlook for the fiscal year 2006, define the Group's strategy for 2006, and debate on how to proceed in the area of software.

The points on which the audit is to focus are determined by the Supervisory Board in collaboration with the auditor. Other points on the agenda included amendments to the Articles of Association resulting from the German Act on Corporate Integrity and Modernization of the Right of Avoidance (Gesetz zur Unternehmensintegrität und Modernisierung des Anfechtungsrechts, UMAG), approval of the fourth declaration of compliance with the German Corporate Governance Code, and verification of the efficiency of the Supervisory Board.

Members of the Executive and Supervisory Boards

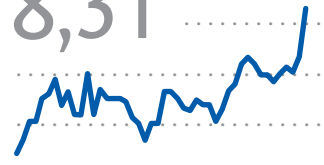
In June 2005 the Supervisory Board voted to appoint Jürgen Zahn to the Executive Board of REALTECH AG as of July 18, 2005. The reason for appointing the new member to the Executive Board was that Michael Knopp, Chief Financial Officer of REALTECH AG, left the company at his own request on April 30, 2005, following just under six years in a management position. The Supervisory Board wishes to thank Michael Knopp for his contribution

to the establishment and development of the company. Supervisory Board member Peter Stier resigned from his position as of May 24, 2005. This took place in connection with the decision reached by the General Meeting on the same day to reduce the Supervisory Board from six to three members. The Supervisory Board would like to express its genuine gratitude to Mr. Stier for his work and wishes him all the best for a successful future.

Annual and consolidated financial statements

The REALTECH AG annual financial statements for the year 2005 and the management report including the accounting were audited by the external auditing company Grant Thornton GmbH, Heidelberg – appointed in the General Meeting on May 24, 2005 and engaged as auditor by the Supervisory Board – and issued with an unqualified audit opinion.

The same applies for the IFRS/IAS consolidated financial statements, to which a group management report has been added. These consolidated financial statements are the first to have been prepared in accordance with IFRS rules. According to § 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 have been verified by the accounting audit committee and Supervisory Board 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.

In its meeting on March 16, 2006, the Supervisory Board approved the consolidated financial statements for 2005, the combined management report for 2005, and REALTECH AG's annual financial statements for 2005, 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 2006
The Supervisory Board

Dieter Matheis
Chairman





GROUP ADDRESSES

GERMANY



REALTECH AG
Headquarter

REALTECH System Consulting GmbH

DB-Online GmbH

GloBE technology GmbH

Industriestr. 39c
69190 Walldorf
Tel.: +49.6227.837.0
Fax.: +49.6227.837.837

West Office

REALTECH System Consulting GmbH
Hellersberg Str. 2a
41460 Neuss
Tel.: +49.2131.40.377.0
Fax.: +49.2131.40.377.200

North Office

REALTECH System Consulting GmbH
Kleine Reichenstr. 1
20457 Hamburg
Tel.: +49.40.55.61.20.0
Fax.: +49.40.55.61.20.01

South Office

REALTECH System Consulting GmbH
Ohmstr. 3
85301 Schweitenkirchen
Tel.: +49.8444.92.86.0
Fax.: +49.8444.92.86.25

LMC-LAN Management Consulting GmbH

Ohmstr. 3
85301 Schweitenkirchen
Tel.: +49.8444.92.86.0
Fax.: +49.8444.92.86.25

REST OF EUROPE



Italy

REALTECH Italia S.p.A.
Viale Colleoni 17
Palazzo Orione 3
20041 Agrate Brianza
Tel.: +39.039.634.634
Fax.: +39.039.634.633

Rome Office

Via Paolo Di Dono, 73
00142 Roma
Tel.: +39.06.51.95.981
Fax.: +39.06.51.96.36.74

Torino Office

Largo Cibrario
10148 Torino
Tel.: +39.011.47.31.796
Fax.: +39.011.48.99.47

Avellino Office

Corso Europa 16/o
83100 Avellino
Tel.: +39.0825.309.11
Fax.: +39.0825.78.45.00

Padova Office

Via Milazzo, 10
Interno 1
35 139 Padova
Tel.: +39.049.85.61.333
Fax.: +39.049.85.61.333



AMERICA

**Spain****REALTECH System Consulting, S.L.**

Torrelaguna nº 77 - 3ª planta
28043 Madrid
Tel.: +34.91.556.00.13
Fax.: +34.91.556.80.31

Barcelona Office

C/Balmes, 114, 7ª, Pl.
08008 Barcelona
Tel.: +34.93.27.22.670
Fax.: +34.93.21.53.776

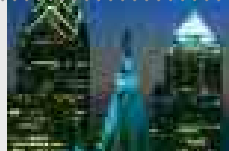
Valencia Office

Profesor Beltrán Báguena 4, Of. 104
46009 Valencia
Tel.: +34.96.336.85.71
Fax.: +34.96.336.85.72

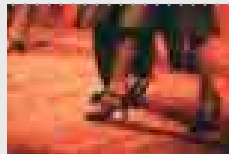
**Portugal**

**REALTECH Portugal
System Consulting,
Sociedade Unipessoal, L.d.a.**

Avenida da Igreja, 42 - 7º. Esq
1700-036 Lisboa
Tel.: +351.21.799.71.30
Fax.: +351.21.799.71.39

**USA****REALTECH Inc.**

4659 West Chester Pike
Newton Square,
PA 19073-2226
Tel.: +1.610.356.4401
Fax.: +1.610.356-5777

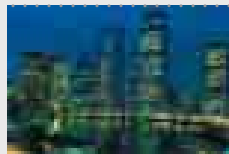
**Argentina****REALTECH System Consulting S.L.**

Viamonte 723 piso 5, Of. 22
1053 Buenos Aires
Tel.: +54.11.6318.8004
Fax.: +54.11.4819.1581

ASIA-PACIFIC

**Japan****REALTECH Japan Co., Ltd.**

Aim Tokyo Kudan Building 3F
1-2-11 Kudan-Kita, Chiyoda-kun,
Tokyo 102-0073
Tel.: +81.3.3238.2066
Fax.: +81.3.3238.2067

**Singapore****REALTECH System Consulting Pte. Ltd.**

25, International Business Park
#04-70 German Centre,
Singapore 609916
Tel.: +65.656.29.990
Fax.: +65.656.27.720

**New Zealand****REALTECH Ltd.**

Level 3
57 Symonds Street
Auckland 1031
Tel.: +64.9.308.0900
Fax.: +64.9.308.0909



CONTACT AND IMPRINT



Layout and realization

dassyndikat.com, Heidelberg



Editorship

Hiller, Wüst & Partner GmbH, Aschaffenburg



Print

Druckhaus Diesbach GmbH, Weinheim



Conception and overall responsibility

Volker Hensel



Copyright © 2006
REALTECH AG
Industriestraße 39c
69190 Walldorf
Germany



Photography

firefish photography, Wald-Michelbach
Volker Keipp, Ludwigshafen
Jupiterimages GmbH, Starnberg
Getty Images Deutschland GmbH, München
Corbis GmbH, Düsseldorf

The annual report 2005 is also available in German.

You can view and download the annual reports and the quarterly reports in the internet: <http://www.realtech.com/investors>

Do you have any question or require further information? We will be happy to be of your assistance:

REALTECH AG

Investor Relations

Volker Hensel

Tel. +49.6227.837.500

Fax +49.6227.837.9134

E-Mail investors@realtech.com

theGuard!® is a registered trademark of REALTECH AG.

SAP®, R/2®, R/3®, ABAP®, SAPaccess®, SAPmail®, SAPoffice®, SAP Business Workflow®, mySAP.com®, SAP EarlyWatch®, SAP ArchiveLink® Are registered trademarks of SAP AG.

Microsoft®, WINDOWS®, EXCEL®, NT® und SQL-Server® Are registered trademarks of Microsoft Corporation.

IBM®, OS/2®, AS/400® und AIX® Are registered trademarks of IBM Corporation.

ORACLE® Is a registered trademark of ORACLE Corporation, USA.

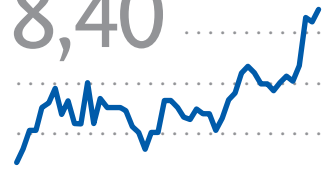
UNIX® Is a registered trademark of SCO Santa Cruz Operation.

Other product names are only used to identify the products and may be registered trademarks of the corresponding manufacturers.



FINANCIAL CALENDAR 2006

8,40



28.02.06

- ▶ **May 4, 2006**
Publication of Quarterly Report 1/2006
- ▶ **May 16, 2006**
Annual General Meeting,
Kongress- und Kulturzentrum Palatin, Wiesloch, 10.00 a.m.
- ▶ **August 3, 2006**
Publication of Quarterly Report 2/2006
- ▶ **November 2, 2006**
Publication of Quarterly Report 3/2006



➤ REALTECH AG
Industriestraße 39c
69190 Walldorf
Germany

➤ Tel.: +49.6227.837.500
Fax.: +49.6227.837.292

➤ investors@realtech.com
www.realtech.com



REALTECH