

syskoplan at a glance

Criterion		12.31.2006	12.31.2005	Change
Contined activities				
Sales	Euro mill.	45.2	40.3	+ 12%
of which syskoplan AG ¹	Euro mill.	28.3	29.3	- 4%
of which cm4 ¹	Euro mill.	4.2	3.6	+ 18%
of which is4 ¹	Euro mill.	15.5	14.1	+ 10%
of which macros ¹	Euro mill.	4.1	0.0	
EBITDA	Euro mill.	5.31	4.50	+ 18%
EBIT	Euro mill.	4.15	3.55	+ 17%
EBT	Euro mill.	4.60	3.70	+ 24%
Net income for the year	Euro mill.	2.14	1.75	+ 22%
Earnings per share (undiluted)	Euro	0.48	0.42	+ 16%
Return on sales revenue (EBITDA)	%	11.7%	11.2%	
Return on sales revenue (EBIT)	%	9.2%	8.8%	
Return on sales revenue (EBT)	%	10.2%	9.2%	
Payroll employees (average)		326	288	+ 13%
Payroll employees (year end)		353	313	+ 13%
Group figures				
Balance sheet total	Euro mill.	40.3	36.8	+ 9%
Equity capital	Euro mill.	24.4	20.9	+ 17%
Liquid funds ²	Euro mill.	19.7	19.1	+ 3%
Change in cash	Euro mill.	-0.95	2.18	
Cash Flow according DVFA/SG	Euro mill.	4.48	4.08	+ 10%
Consolidated net income for the year	Euro mill.	2.21	1.25	+ 76%
Number of shares	mill.	4.43	4.20	+ 6%
Earnings per share (diluted)	Euro	0.50	0.30	+ 67%

¹ Consolidation has not yet occurred

² Cash and cash equivalents minus short-term debt to banks plus securities from fixed assets

syskoplan – Living Network

Our activities focus on providing companies with customer-centric IT solutions with long-term benefits. We expand, refine and integrate standard applications to create a customized solution for each customer.

Our success rests on

- ↗ motivated, competent employees,
- ↗ satisfied customers,
- ↗ technological superiority and innovation and
- ↗ a sound financial position.

Our business dealings are hallmarked by

- ↗ customer orientation and cost-effectiveness,
- ↗ flexibility and reliability,
- ↗ creativity and fairness,
- ↗ enthusiasm and boldness,
- ↗ intelligence and experience,
- ↗ innovation and consistency,
- ↗ care and speed.

We are organized in line with a network principle which combines the strengths of a large company such as professionalism, a methodical approach and shared service with the flexibility and customer proximity of small, specialized units. These companies

- ↗ share the values at the heart of the syskoplan Group,
- ↗ develop and strengthen existing methods and
- ↗ nurture new ideas.





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LIVING NETWORK



1 The syskoplan Group
in Financial Year 2006



06

1.1 Letter from the Chairman of the Executive Board

Dear shareholders, customers and business associates, and colleagues:

Some of you may have noticed while looking at our annual report that the syskoplan AG logo has changed. The new version is fresher and more agile. The evolution of the logo symbolizes the evolution of your company. The addition of "Living Network" stands for the major new chapter which has begun in the development of syskoplan AG, and to which this annual report is dedicated: significantly boosting profitable growth by establishing a network of specialized companies. At the same time, the careful adjustments show that the established principles that make us who we are – intellect, commitment, courage and absolute customer orientation – remain unchanged.

A successful 2006.

Starting by looking back at what we have achieved is not only a tradition – it is also important in order to understand the strategy adopted by syskoplan AG. The last financial year, 2006, was a very successful one for us. We succeeded in posting double-digit growth in all key indicators – sales, income and staff numbers. A comparison with the competition shows that we attained an above-average position in the German market with our pre-tax return of 10%. By discontinuing our US activities, we have eliminated our former loss-maker. Thanks to the book profit from the sale of our interest in CareGain, we were able to do this without impacting the overall result of syskoplan AG. With such good foundations to build on, we can now channel all of our energy into extending the network in the German-speaking market.

We also succeeded in convincing the capital market that the syskoplan share and its stock market listing are an important part of the new strategy. Following a road show and countless discussions, some 40% of syskoplan shares are in free float despite the compulsory offer. The value of the company has increased again. The share remains an important means of funding our strategy and is both sufficiently liquid and attractive. As part of the remuneration scheme for the autonomous entrepreneurs within our network, it also contributes towards strengthening their commitment to our common goal.

Last but not least, by acquiring macrosInnovation, Interactiv and Xuccess, we have shown that we are serious about implementing the network philosophy, and that we intend to do so quickly. All three companies have added further skills to our network, whether by consolidating our sector-specific expertise or broadening our technological competence. We consider the new additions on a personal level to be particularly important – the employees we have gained, the greater cultural diversity, and the new



„The last financial year, 2006, was a very successful one for us“

Dr. Manfred Wassel

experienced entrepreneurs who will be enriching the network with their skills in future.

syskoplan in the future.

In a few years' time, we will have reorganized syskoplan into a group of operating units which each specialize in a particular area, operate independently, and are managed in an entrepreneurial way. Each company will strive to offer the best products and services in its specific business sector. We will expand into other interesting sectors. Sectors in which syskoplan does not yet operate but where our partner Reply is a strong player are an obvious choice here. We will also place the network on a broader technological basis, making us more independent from individual suppliers. We have already started expanding our Microsoft expertise. This will be complemented by more intense cooperation with other suppliers of interesting, value-creating technologies.

In order for the operating units to retain the level of flexibility and independence they desire, certain central principles have to be laid down, which must not be undermined. For this reason, the network is managed by a central holding company, which provides the framework and oversees central functions, joint services and communication. This includes the Group strategy, the organization and structure of the sector and service network, the range of products and services, and funding. Other areas covered are the definition of the central brand, and the principles behind HR policy, reporting and the IT infrastructure.

By means of organic growth and acquiring further companies, we aim to double our sales by the end of the decade while largely retaining our current earning power. We expect longer-standing units to post double-digit organic growth in the medium term, coupled with profitability which guarantees a pre-tax margin of over 10% for the Group. This part of our portfolio will also finance ongoing investments in new companies with forward-looking ideas which

„We will expand into other interesting sectors“

Dr. Manfred Wassel



will take several years to come to fruition. discovery sysko is one example of our activities here.

The prospects for you.

A comparison of Reply's share price with the major stock market indices shows that – following the restructuring of the IT market, which no one was immune to – Reply broke away from the general performance trend and developed much more positively than the overall markets.

We attribute this to the implementation of the network philosophy and the successful management of the factors critical to its success. By adapting these principles and, if necessary, drawing on the extensive experience of our partner Reply, we hope to make the most of this potential for syskoplan.

The extraordinary performance we have outlined is only possible in conjunction with a high level of value creation for both customers and employees. In this respect, this potential also reflects the prospects for syskoplan's other stakeholders. The extension of our network's skills and its dynamic development offer our employees interesting prospects. The opportunities for our staff go through to starting up their own businesses. The network's underlying curiosity and readiness not just to accept, but to actively foster variety provide the ideal conditions for new ideas to flourish.

Indeed, a curious and creative individual who questions existing solutions is the perfect Schumpeter-style entrepreneur who creatively destroys handed-down principles in order to find new, value-enhancing solutions for their customers. Each of the competence centers in the network can work with other teams regardless of hierarchies in order to create complex solutions. Based on expertise and specialist knowledge, the power and intelligence of the system exceed the sum of its parts. As a result, our customers will also profit from superior solutions.

Dear readers, syskoplan is giving its all to make this vision reality – and I would like to invite you to join us on this path.

Sincerely yours,



Dr. Manfred Wassel

Chairman of the Executive Board of syskoplan AG



The members of the Executive Board and the chairman of the Supervisory Board of syskoplan AG from left to right.: Dr. Manfred Wassel, Dott. Daniele Angelucci, Dott. Mario Rizzante (Supervisory Board), Dr. Jochen Meier



1.2 Real added value, not hierarchy, is what counts in networks

New requirements lead to a new understanding of management

Networks cannot simply be decreed. They elude the established understanding of management. For change management expert Prof. Peter Kruse, three factors are pivotal in setting up a network. They are standardization, transparency and identity.



„Networks cannot simply be decreed.“

Prof. Dr. Peter Kruse

Prof. Peter Kruse, Managing Partner of nextpractice GmbH in Bremen, studied psychology, biology and human medicine and wrote a summa cum laude PhD thesis. For over 15 years he worked at several German universities conducting research in complexity processing in intelligent networks.

Today, change management expert Kruse is a successful consultant who advises various retail groups, financial service providers and media and industrial enterprises. Many of Germany's Top 100 companies

are clients of his. They include BASF, Deutsche Telekom, Masterfoods, Siemens and Volkswagen.

His method and consulting company nextpractice is specialized in developing innovative management tools. Their uses range from strategic network creation via cultural change processes to issues of brand management and market analysis.

Professor Kruse, when did you start looking into networks? How did that come about?

As a scientist I spent many years investigating how the brain network creates and changes patterns of order. How organization and reorganization take place in the brain, as it were. I only moved into the corporate world after the death of my father-in-law when the succession in his company needed to be settled. That was how I progressed from basic research to the world of business.

The idea of looking at a company as a social brain fascinated me. I was interested in finding out whether, and if so, how it was possible to transfer the principles of order that existed in the brain network to the management of a company. In the context of our consulting work it was striking to note that people at companies had modern ideas in mind but no methods by which to implement them. We went on to develop methods to enhance the collective intelligence of companies.

Which methods are they exactly?

They are computer-assisted processes which ensure that decision making in companies is not based solely on the intelligence of individuals but on the competencies and skills of all concerned. One method is a qualitative interview process that makes unconscious attitudes and assessments visible. Recording of these subjective assessments follows the principle of transparency in change processes. A special mode-

ration tool makes networking within larger groups possible. Using this tool, up to 2,000 people can work in a network with the efficiency of a small group.

How important are unconscious personal attitudes and assessments for the success of networks?

Mapping the collective value landscape of a culture opens up access to levels that normally only come to light in action and by virtue of their in part obstructive force. If, in a project, the fact that something does not work properly is only noticed after the event, these soft factors frequently have something to do with it.

Making attitudes and assessments visible is the precondition for developing a stable and sustainable common identity. Sharing a common value landscape and being able to discuss issues with each other is the one precondition for any form of supra-summative intelligence in a network.

How do you define a functioning network?

The concept of a network has a twofold, perhaps even a threefold meaning. For one thing, there are social networks that make an appearance in the form of business card parties. They are stability-oriented networks and basically the opposite of what is needed today. For today's requirements relationship networks are not of central interest.

Then there is the idea of an organizational network – that of connecting different organizational units. That is more of a structural approach and amounts in the final analysis to merely a reorganization of existing hierarchies. A functioning network in the sense that I mean is, in contrast, neither a relationship network nor a structural draft but a system with a momentum of its own.

What preconditions must be in place for functioning networks to take shape?

Functioning networks can only take shape if equal, self-assured partners with local autonomy are involved. In a network you cannot simply impose power by saying "this is what we are going to do." That would no longer be a network.

For a network to function successfully a common identity is indispensable. Where something can no longer be controlled and regulated, a value landscape is needed as a common denominator. Family firms have an advantage here in that they frequently have a strong genetic code that functions as a stable value pattern.

„They are stability-oriented networks and basically the opposite of what is needed today.“

Prof. Dr. Peter Kruse



Furthermore, a high level of standardization is required. A network is only a network if the individual players are capable of interaction without undue effort or expense. Standardization is the precondition for creating networks. Without it, the cost is always greater than the benefit. What I mean here are basic processes, in other words the way in which something is implemented. What never should be standardized is the content. You then need maximum transparency, or free flow of information around the network.

Do you see examples of functioning networks in business? Or are they just conglomerates made up of individual companies?

We must start by saying that network is one of most misused concepts in recent years. So many people today say that they are part of a network, but networks that really work are very infrequent. That goes for business too. The difficulty is that networks cannot be designed deliberately. Networks cannot be decreed. All you can do is increase the likelihood that they will take shape.

At Syskoplan there are two trends at present. One is cell division, or the establishment of subsidiaries, the other is expansion by means of acquisitions. How can an identity take shape in these conditions?

It can basically only be accomplished by means of transparency. Individual value patterns of levels of authority must be made visible. This means that soft factors must be included in what goes on. If cell division takes place without a common core of identity, the result will be cancer. If an acquisition fails to integrate the cultures there will be winners and losers and the new entity will then stand little or no chance.

Problems arise if differences and commonalities are not made perceptible by means of a transparent discourse. People always imagine that they understand each other. Someone comes and says "innovation" and everyone thinks they understand the same thing. Only as matters progress do they realize that something is not right.

A common understanding capable of resonance is required, and that is not trivial. Integrating new companies is not the same as steady growth spread over a period of years. The system must be made as visible as possible at the values level to ensure that feedback circuits run faster. Otherwise you have a

feeling of consensus for a while but matters are actually drifting apart perceptibly.

How can you become a network hub?

A network cannot really be shaped by wielding power; it takes shape by means of attractiveness. In other words, if you want to be a hub in a network you cannot specify it structurally. You can only become a network node by means of the experience of the added value of what you offer.

Networks are said to be able to handle economic changes well. Why is that so?

Networks are still the best answer to complexity and dynamics. The British cyberneticist W. Ross Ashby, one of the pioneers of system theory, outlined a fundamental finding more than half a century ago. Ashby's Law of Requisite Variety states that dealing successfully with complex dynamics requires a solution system that is at least as variable as the task. Only a complex, dynamic system is capable of recording and suitably assessing the behavior of a complex dynamic system. Networks are more adaptable. With a high degree of autonomy of the individual players, networks are repeatedly able to generate the instabilities required for something new to take shape. A network is therefore a system with a maximum ability to cope well with changes. As stated earlier, that is by no means a trivial task and it changes the understanding of management dramatically.

When it comes to understanding of management, chief executives are accustomed to being in control and to ensuring stability and orientation. How do you realize that in networks if they incorporate so much autonomy?

Networks are like anthills. You can destroy them but not control them. Dealing with networks requires of

executives attitudes that differ from those to which they are accustomed.

In the future, management will have more to do with giving something sense and meaning. With the issue of “why”. What is fascinating enough for everyone to keep everything together in a state of change?

The manager’s task will be to enable networks to take shape and not to exercise control over them. Managers can establish the framework conditions under which the likelihood of a network taking shape increases and equip the system with a supporting identity, an alignment that gives meaning. If that works, the system will generate intelligences of its own – much to the delight of executives.

How can framework conditions for reciprocal attractiveness be created?

Successful network creation requires three preconditions: standardization, identity creation and maximum transparency. In networks, thought needs to be given to utility, not to power. What is needed is a climate in which people feel like providing a good service for others. Once people do not start bunkering and stalling and try to generate a “we” feeling as opposed to negative in-house competition, you are on the right path. In a network, no one should be afraid of raising matters that are both positive and negative.

Management cannot prescribe meaning, but it can maintain the discourse about the “why”. This judgmental discourse must never come to a halt. Doing something because it was always done that way only works in hierarchical systems but not in networks.

What kinds of dynamics are needed in networks once they have taken shape?

For my personal networks I always look for people who on the basis of similar values come in one of three categories. Owners know their subject very well. Brokers have social networks and usually know exactly how to come by the knowledge that is required. Creators, in contrast, mainly adopt a lateral approach and are considered to be typical nut cases.

Creators and brokers jointly generate instability in the system and thereby provide energy. Creators and owners produce new ideas, while brokers and owners possess a finely-tuned inventory of valuation and thereby ensure that these ideas are evaluated.

This diversity encourages dynamics. The greater the differences (subject to common basic values), the



more dynamism there is in the system. The aim is to arrive at a system dynamics that does not drift apart and is in a position to generate extremely complex patterns. Similarity reduces the intelligence output. It may make life more pleasant in the short term and you may feel more at home. But that is not the point.

„Management cannot prescribe meaning, but it can maintain the discourse about the “why”.“

Prof. Dr. Peter Kruse



How do you get differences in networks under control?

Being different is the precondition for intelligence. It is not a matter of getting differences under control. What matters is to get them to make sense via a uniform basic alignment.

The decisive factor is the corporate culture. It is the company's stabilizing DNA. If disruptions occur in the culture, the integrating force is missing. The core issue for companies in the years, and probably decades, ahead will be how to deal as an enterprise with soft factors.

What does not work is hard and fast rules that are strictly formulated. Do not lay down rules; realize values. Conscience structures and not punitive regulations are what make creative freedom possible, without forfeiting the necessary order.

1.3 Products with Expertise

Optimizing business processes with solutions from macrosInnovation

The Munich-based company macrosInnovation GmbH has been part of the syskoplan network for ten months now. The company's products optimize business processes, focusing primarily on financial service providers. Managing Director Dr. Thomas Ehring sees great opportunities for his company.

Dr. Thomas Ehring has been interested in developing online application systems for some time. Following his PhD in mathematics, he worked on developments in medical technology and the insurance sector. He was responsible for both the commercial and technical aspects of the ARCIS document management system at Siemens Nixdorf. In 1999, Dr. Thomas Ehring set up his own business – macrosInnovation GmbH.

Today, his company is one of the leading suppliers in the field of process optimization.

The solutions developed by macrosInnovation combine the advantages of an intranet, a portal and a company-wide DMS system. Document and in-tray systems from macrosInnovation are used by major German companies and institutions. Its customers include Finanz IT Hannover, Dresdner Bank, L-Bank Baden Württemberg and the insurance company DBV-Winterthur

Dr. Ehring, you are the Managing Director of macrosInnovation. What does macrosInnovation offer its customers and what business model is this based on?

macrosInnovation mainly offers products in the field of process optimization. In other words, we help our customer to complete their business processes. These are primarily processes associated with in-tray workflows, inventory management systems and campaign management.

macrosInnovation works with a hybrid business model. On one hand, we market our own products. On the other hand, however, we offer technical and specialist services when our customers need them in order to be successful. The products are standardized to a large extent, but they are adapted for each individual project.

„Our business success is based on the use of finished products...“

Dr. Thomas Ehring



What are the advantages of this business model? What experience contributed towards it?

Reusability – i.e. service-oriented architecture (SOA) – is a key market issue these days. Our business success is based on the use of finished products, which we adapt by means of configuration.

Unlike many of our competitors, we do not develop totally new, tailor-made software solutions for our customers.

„Customers also receive extensive specialist support with our product.“



Dr. Thomas Ehring

Due to our modular system, we can quickly show the customer how to carry out their tasks. By means of configuration, we optimize the product until it fits the customer's requirements. Our products stipulate methods and functions. If you start developing a solution from scratch, these have to be defined beforehand, and that is a very time-consuming process.

Customers also receive extensive specialist support with our products. If a project begins with a discussion of a customer's needs, the customer has to provide all the specialist input. We supply expertise together with the product.

Doesn't that mean that, to a certain extent, the processes have to be adjusted to suit the software rather than the other way round?

That is irrelevant to us because our products fully cater to the many different processes in our field. We are able to replicate the usual special processes for the customer without the need for programming.

macrosInnovation has grown continuously since it was established in 1999 and is one of the leading suppliers in its sector in terms of content. How do you explain this development?

Like many successful IT companies, macrosInnovation started with a technological idea: we wanted to build up applications using configuration technology. When we completed the first few projects using our own technology, we soon realized that making customers aware of the value added offered by this technical idea was crucial to business success.

For this reason, we started supplying products incorporating specialist know-how as of 2003. By integrating technology and expertise into one product, macrosInnovation raised its market profile.

That is now the strength of macros – our employees are not just technologists; they are also experts in the relevant sector, and that all contributes directly to our customer projects. In that vein, our team also includes bankers and insurance experts.

You have been part of the syskoplan network for ten months. What did you find fascinating about syskoplan?

syskoplan has a high level of technological expertise and is increasingly building that up into architectural expertise and specialist knowledge in individual sectors. There is a lot of potential for further development there.

syskoplan is undertaking a great deal of change as it strengthens its network. What advantages do you believe this offers?

syskoplan provides a framework within which the different units complement one another. New opportunities for projects open up time and time again. The network offers the business units maximum freedom, allowing individual strengths to emerge.

We do not have a master plan of how the units should develop. The units develop themselves in line with their own abilities and the market situation.

Some companies are strongly geared towards sales, others towards consulting, and some – like macros – focus on products.

syskoplan makes no attempt to impose a uniform strategy, which would always be a bad compromise. The units are encouraged to perform as well as possible in their respective markets.

As our customers are usually very large firms with more than a thousand employees, it is a great advantage for us to be able to meet them as equals with our syskoplan background.

This independence was probably also one of the reasons why you chose syskoplan as a partner ...

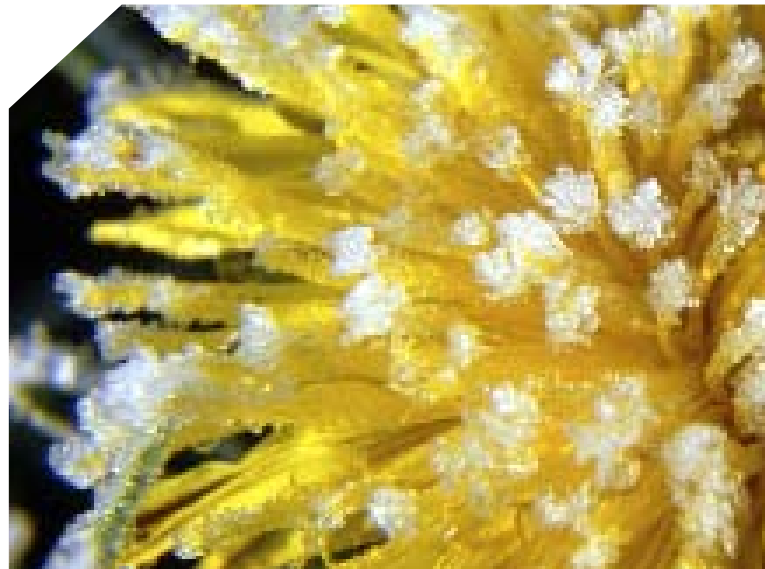
Of course. We at macros still have plenty of ideas. We would like to put these ideas into practice, and the best way to do this is in a network rather than as a department within a large company.

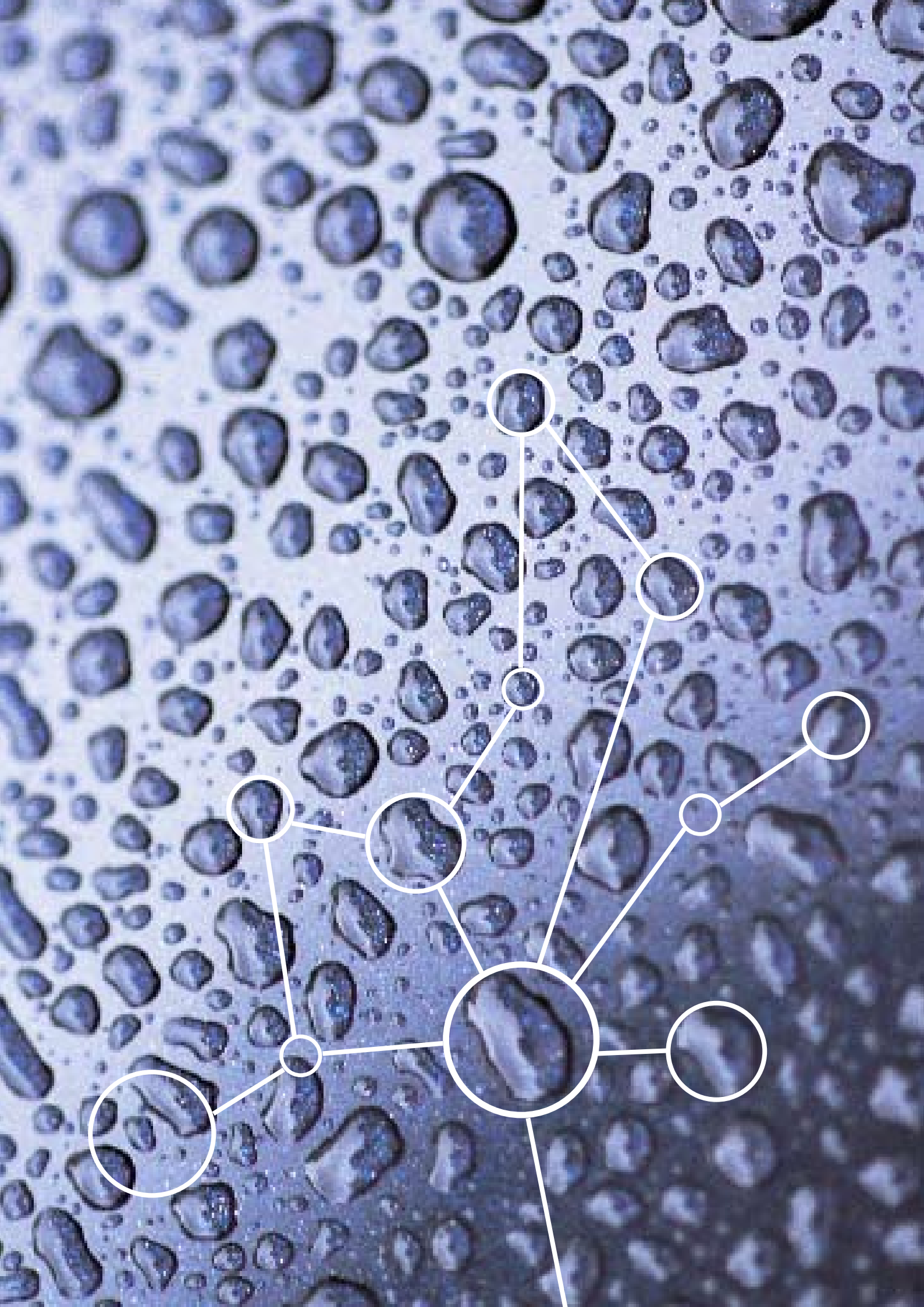
What role will macrosInnovation play in this network?

macrosInnovation stands for carrying out and optimizing business processes. We want to develop better products in this field. At the moment, we are focusing on work management, process line orientation and cross-process optimization

How would you summarize your first ten months in the syskoplan network? Have you seen any successes yet?

We have completed about a dozen projects within the network to date, and that number will increase in future. That is a very promising trend.





1.4 Nurturing New Ideas

comit sysko is using the new opportunities offered by the syskoplan network

comit sysko is a start-up within the syskoplan network specializing in customer-oriented IT business management and IT controlling. The fledgling company offers consulting services for large and medium-sized, internal and external IT service providers. It plans to develop small, effective tools for IT business management and additional components for the Service Level and Accounting Manager (SLAM). In future, the company hopes to offer a wider range of products covering fields such as the way in which IT services are presented as products and product catalogs

comit sysko initially consists of its two Managing Directors, Dr. Dirk Hoppen and Dr. Jürgen Krüll. There are plans to increase the number of staff from two to six by the end of the year.

Dr. Hoppen, you have been at syskoplan for quite some time. How has syskoplan developed in your view?

syskoplan was established in 1983 – I've been at the company for over 15 years. In other words, I have witnessed a lot of the company's history during my time here. I'd call it a success story.

What changes have there been during that time?

We have experienced a lot of market changes, often foreseeing them, and adapted accordingly. It all comes down to which areas you cater to and how you organize your business to do that. Of course, one of the most important changes was building up the partnership with SAP.

However, some things remain unchanged at syskoplan: its efforts to pick up on new issues early on, the company's customer orientation, and its

standards of quality. syskoplan's strong corporate culture – its values and way of working – has also remained unchanged, and that is a good thing.

The structures at syskoplan have always been adjusted in line with the areas and content covered. We have always ensured that we had small, powerful units with a relatively high level of flexibility, making it possible to pool resources to find the best person for the job. That is one of syskoplan's great strengths.

„The structures at syskoplan have always been adjusted in line with the areas and content covered.“

Dr. Dirk Hoppen



What other strengths does syskoplan have in your opinion?

Its greatest strength is definitely our commitment to our customers; the will to find the best possible solution in conjunction with the client. And we do all we can to implement this solution. Commitment is an ethos that permeates the company.



What potential for development do you see at syskoplan?

Just at the moment, software products and modules are playing a prominent role in the market due to the so-called service-oriented architecture. We already have some experience with this, but we want to intensify it. It is also important to focus even more closely on content, as we established in our portfolio discussion.

The new network structure also allows us to pool our specialists in a particular field in legal units. This gives them the freedom to develop their own products and modules. Thanks to our work with Reply, syskoplan now also has the right organization model for this emphasis on content.

As you mention the network, what changes will it mean for employees?

Lots of employees have made the most of the opportunity to think about their special talents and ask themselves which area best suits them and their qualifications. Roles are increasingly defined by content, not technology.

You decided to go self-employed and established comit sysko together with Dr. Jürgen Krüll. What changes does your new job mean for you personally?

I have already held a lot of positions at syskoplan. I've been in management positions as an area and site manager and even worked as a CFO in the USA. comit sysko adds the entrepreneurial side of things. My responsibilities will be wider-ranging, as will the way I think about work. For example, you have to have an idea of how the business will develop in the long term, and keep an eye on the skill and product portfolios over an extended period of time.

In smaller units such as comit sysko, each employee can, and must, assume greater responsibility. This gives them a lot more chances to develop. It also provides an environment where new business ideas are nurtured. Fresh ideas have the chance to flourish.

What does comit sysko offer? Which target group are you focusing on?

Our target group consists of external IT service providers and IT departments at medium and large companies in German-speaking countries. The idea is that IT service providers are subject to the same laws as normal production companies. They have to offer their IT services in a way that appeals to customers and define them as products.

We want to help our customers to implement this

kind of user and product-oriented IT management. To do so, we will be offering both consulting on the one hand, and the right tools and software on the other. Of course, we will focus on implementation using existing SAP applications and, in future, SOA.

In concrete terms?

It's all about looking at services from the end-user's viewpoint. In other words, the focus is no longer on what IT can do, but on what the customer needs. The key questions for a CIO or the managing director of an external service provider are: How can IT make a contribution towards the company's business processes? How can I quantify this contribution? That is much more comprehensive than just trying to minimize IT costs.

What are the first steps at comit sysko?

Now, our main task is to acquire customers and define products for ourselves which best represent our portfolio. For example, we want to offer a "health check" for IT business management. Another step will be exchanging experience with the units at Reply which operate in a similar environment.

comit sysko has started up with two staff members. By the end of the year, we want to take on four employees – new, additional staff as opposed to employees from within the syskoplan network

What do you personally find fascinating about your new role?

Going self-employed was a logical move for me. It is an exciting step, and a big one, despite all my experience. Until now, I have done a lot of work on a lot of different things at syskoplan – now I'll be covering one thing in its entirety. The fact that I can concen-

trate on one area appeals to me in particular. I can put my own ideas into practice, and see and judge the results straightaway. I will receive feedback directly from the customers.

How did your family react?

It goes without saying that I discussed these changes with my family – I didn't want them to suffer from them in any way. My family gave me a lot of support and encouraged me to do what I really want to do. After all, if I'm happy, they're happy too.



1.5 The syskoplan Share

Stock Markets 2006

The German stock markets witnessed very positive developments again in 2006. The German share index DAX climbed 22% over the year and closed on the last day of trading in 2006 at 6,597 points – its highest value since summer 2001. The TecDAX showed even stronger performance, growing 25% over the year to close at 748 points.

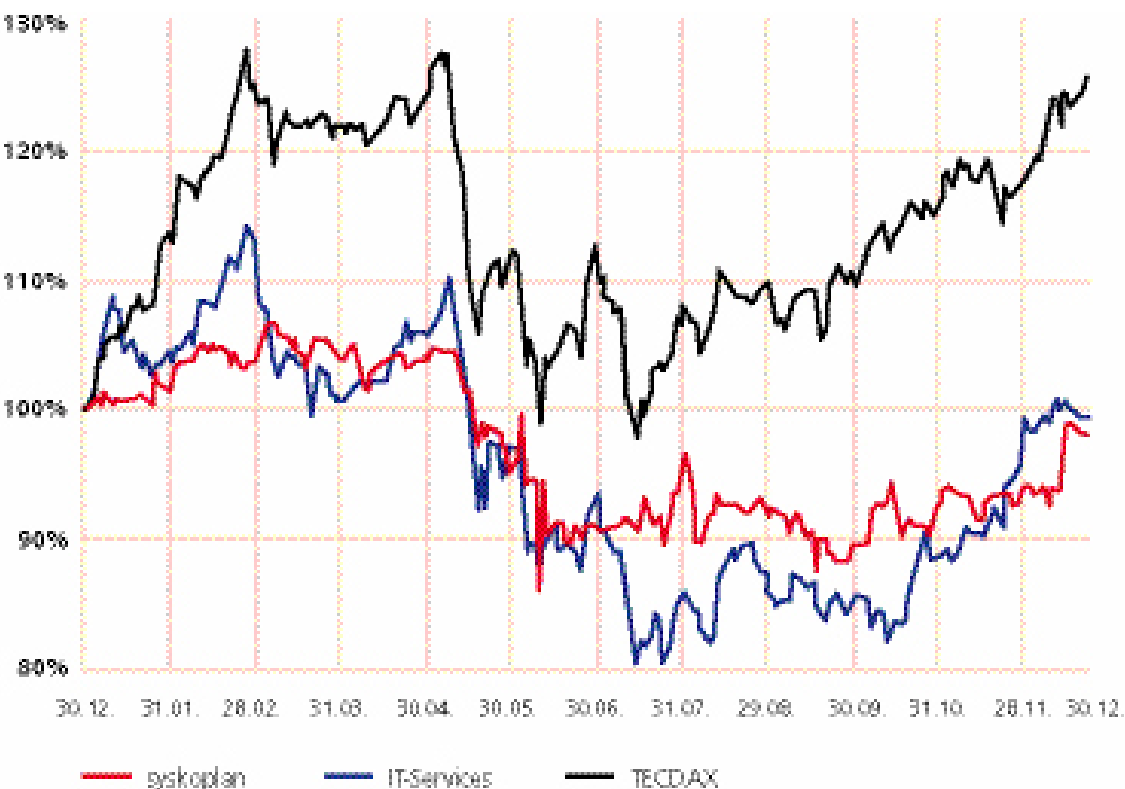
With EUR 8.00 at closing on 12/31/2006 the syskoplan share nearly amounted to the initial value of the year. The share price therefore developed below the DAX and TecDAX indices, as did the IT-Services sector as a whole.

This development is primarily due to the acquisition of a majority share by Reply and the mandatory offer

to purchase the remaining shares which was made as a consequence. The syskoplan share price rose by 15 percentage points once the majority acquisition was announced. Until the mandatory purchase offer expired, the share price was quite closely restricted to the proposed purchase price of EUR 8.40.

When the mandatory purchase offer expired at the end of March, the syskoplan share price went into decline, shadowing the trend seen throughout the markets. In shares where control has changed a sideways development often followed next to this, a time which is used apparently to an assessment of the possible further development. The syskoplan share began to recover later than the DAX and the TecDAX, and it was unable to close the gap before the end of the year.

Relative Development of the syskoplan Share Price



Key Figures, syskoplan Share

2004		2004	2005	2006	02.2007
Equity capital	Euro million	4.2	4.2	4.4	4.7
Number of shares	million	4.2	4.2	4.4	4.7
Options issued (cumulative)	thousand	290.5	290.5	290.5	290.5
Market capitalization	Euro million	26.00	34.23	35.47	41.00
Free Float	%	39.58	39.58	39.49	43.2
Shares traded ¹⁾	thousand	3.7	5.0	6.2	
Year-end price	Euro	6.19	8.15	8.00	8.68
Highest	Euro	7.49	8.24	8.70	8.81
Lowest	Euro	4.50	5.67	7.00	7.75
Earnings per share for the year	Euro	-0.38	0.30	0.50	
Dividends	Euro	0.26 ²⁾	0.26 ²⁾	0.26 ²⁾	
Total dividend payout	Euro million	1.09	1.09	1.15	
Dividend yield ³⁾	%	4.2	3.2	3.3	

¹⁾ Daily average ²⁾ Proposal submitted to Annual General Meeting ³⁾ Based on year-end price

The market capitalization of syskoplan AG at year end was EUR 35.4 million, compared to EUR 34.2 million at the end of the previous year. In the context of the Xuccess transaction it has further risen to EUR 41 mill. It has improved by 58% in comparison with the end of 2004 with that.

Trading continued to become more vigorous in 2006, with 1.6 million shares traded, an increase of 23% over the 1.3 million exchanged in the previous year. On an average trading day in 2006, 6,240 shares were exchanged (previous year: almost 5,000 shares).

Dialog with Investors and Analysts

syskoplan AG maintains ongoing and open dialog with investors. In addition to the Annual General Meeting, the company provides its shareholders with

extensive financial information in the form of quarterly and annual reports as well as with press releases on all subjects of immediate interest. We also organize annual congresses and telephone conferences in which investors and financial analysts discuss the company's current business and its prospects with the management.

Dividends

It is a fundamental element of the corporate philosophy at syskoplan AG that shareholders should benefit from the operating profits of the company in the form of dividends. The Executive Board has recommended paying dividends of EUR 0.26 per share for 2006, as in the previous year.

This corresponds to a dividend yield of 3.3% based on the closing share price for the year of EUR 8.00.



Michael Lückenkötter, Head of IR and Mergers & Acquisitions

syskoplan thus remains above the average yield for the DAX, 2.8%.

Employee Shares

Value awareness should not be limited to the management, as every single employee contributes to the company's success and towards increasing its value.

To help them identify with their employer and let them benefit from its share performance, syskoplan AG gives its employees the opportunity to purchase employee shares. All available tax benefits were used again in 2006.

Tax benefits are only available when employees pay for the shares themselves. Employees who have bought syskoplan shares have therefore made a conscious decision in favor of an equity investment. Of those employees entitled to buy shares, 53% took advantage of the offer, showing their confidence in syskoplan AG.

The Role of the Share in Establishing the German syskoplan Network

syskoplan AG made good progress in building up its network of companies in the past financial year. In addition to conducting internal re-alignment and establishing new companies such as discovery sysko,

syskoplan also integrated three other external companies into the network: macrosInnovation, Interactiv and Xuccess.

Acquisitions made by syskoplan AG always involve an initial payment which consists of a mixture of cash and shares. The shares used are subject to graduated sales bans. This initial payment is complemented by additional remuneration based on the successful further development of the acquired company's earnings. A total of 504,000 new syskoplan shares have been or are being issued from the approved capital in order to finance the acquisition of macrosInnovation and Xuccess.

The syskoplan share is therefore an important means of motivating the managers of companies joining the network and signaling confidence in the network's joint future. For this reason, future transactions will also be partially financed via new shares from the approved capital or by means of stock buybacks.

Long-Term Comparison of the syskoplan and Reply Shares and the TecDAX



A more long-term comparison of the prices of the syskoplan share, the Reply share and the TecDAX reveals the opportunities presented by the network concept. In the past three years, the share price for syskoplan AG has closely shadowed the development of the TecDAX. By contrast, the Reply share has far outstripped this development and more than doubled in price during the same period.

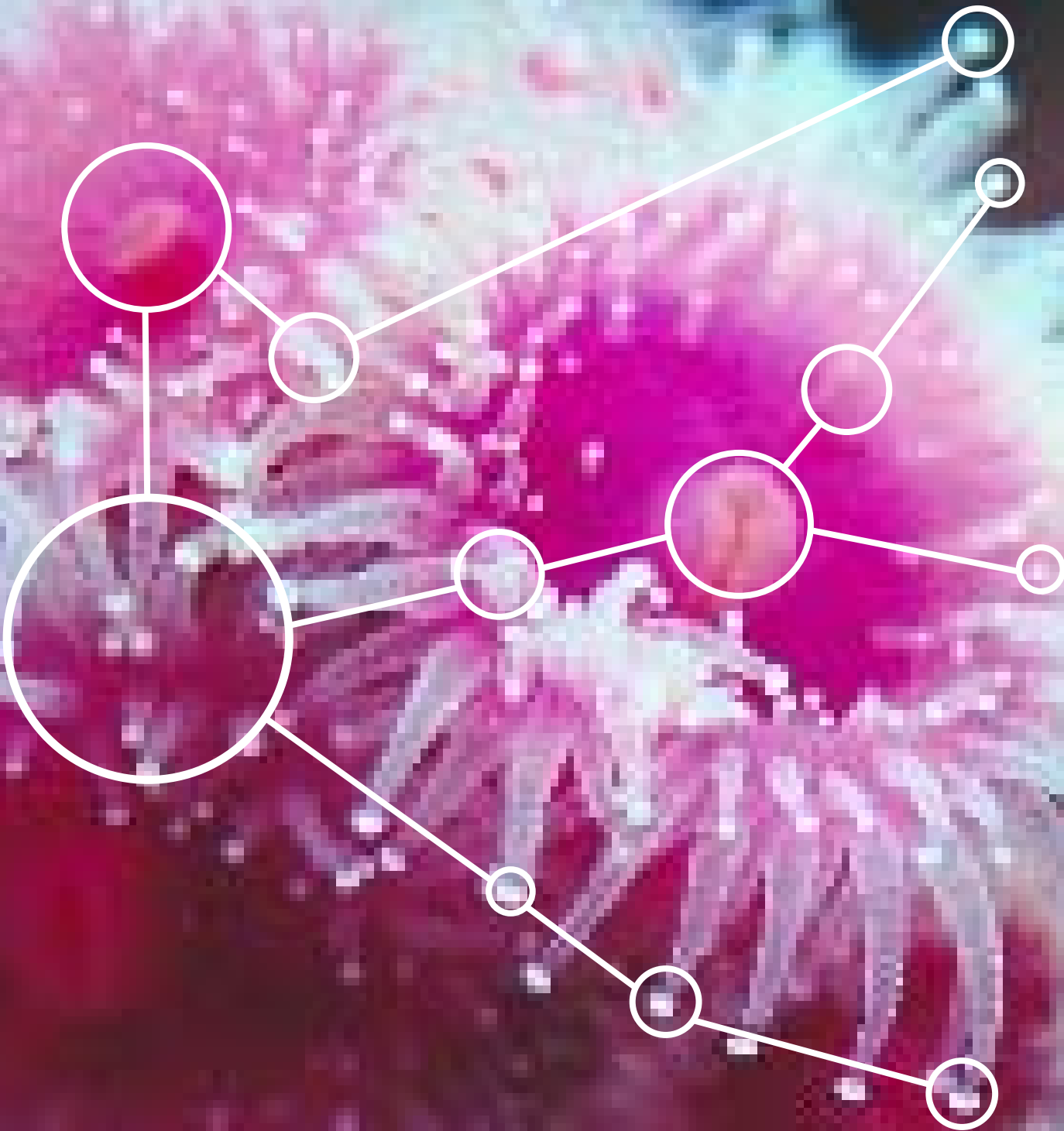
phy with a group of specialized companies who are all best in their class. Of course, this development cannot be automatically reproduced. However, syskoplan AG is confident that it can replicate this above-average increase in share price by applying the same management principles and implementing systematic network and portfolio management.

syskoplan AG puts this performance down to the consistent implementation of the network philoso-

LIVING NETWORK

06

2. Financial Information



2.1 Management Report for the Group and syskoplan AG

1. Basic Principles

1.1 *The syskoplan Group*

syskoplan AG was founded in 1983 and has been listed on stock markets including the Frankfurt Stock Exchange since November 2000. The renowned software integrator and consulting partner primarily works for major companies and sector leaders in Germany, carrying out software projects focusing on holistic solutions for customer-centric management.

Together with syskoplan, our customers can set themselves apart from the competition by implementing solutions which help them to improve the quality of customer relationships. Customer-centric management is syskoplan's specialized area of business activity.

syskoplan refines, complements and integrates standard software to create tailor-made IT solutions for its customers. This approach ensures investment protection and swift implementation.

In December 2005, the Italian IT conglomerate Reply S.p.A. acquired the majority of shares in syskoplan AG. Reply is one of Italy's leading IT service providers in the fields of system integration, consulting, application

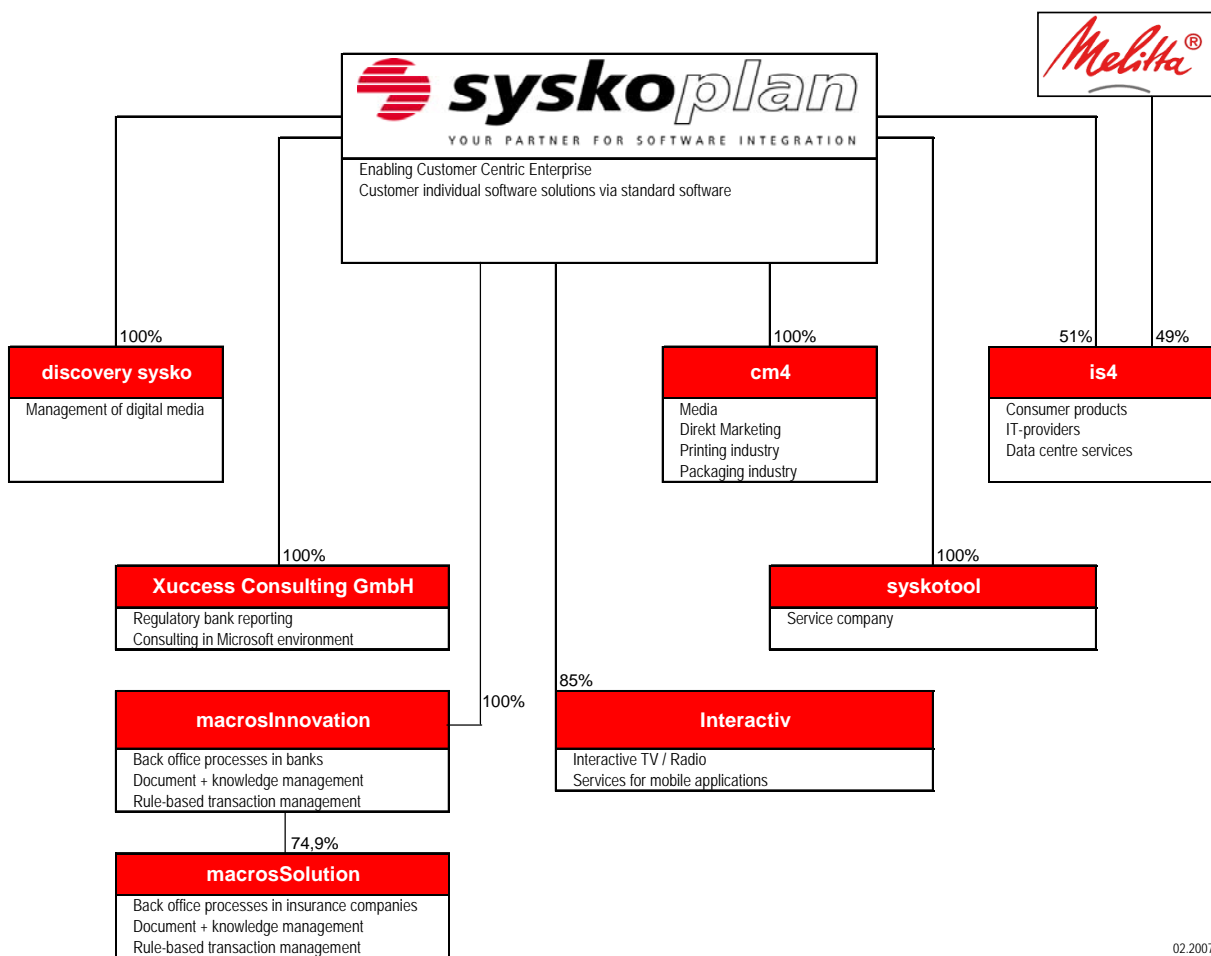
management and outsourcing. The partnership will entail syskoplan and Reply stepping up their cooperation in future. syskoplan will build up a network of best-in-class companies in Germany by acquiring external companies but also by organizing its own activities into small specialist units. This network will form the basis for achieving syskoplan's objective of further increasing profitable growth. syskoplan is also responsible for implementing the European SAP strategy and partnership within the Reply Group.

As at December 31, 2006, the syskoplan group of companies employed 353 staff members. In the 2006 financial year, its sales totaled EUR 45.2 million (continuing fields of activity).

syskoplan AG has five bases in Germany (headquarters in Gütersloh, plus Düsseldorf, Hanover, Munich and Stuttgart). macrosInnovation, Interactiv, discovery sysko and Xuccess Consulting were added to the existing holdings in the syskoplan network in 2006 and 2007.

The diagram below shows the Group structure in Germany at a glance:

syskoplan Group



02.2007

1.2 Value-Oriented Management

The management instruments used by the syskoplan Group support the company's goal of achieving a sustainable increase in its value as a going concern and the resulting objective of profitable sales growth. To achieve this, syskoplan manages its operative business by monitoring the gross output per employee per working day and the net operating income of each operational unit.

Gross output per employee per working day standardizes sales by syskoplan's own staff (only the contribution margin of freelance transactions is taken into account) for the number of employees and the number of available working days in the reporting period. This indicator is a good way of evaluating capacity utilization and per diem rates, and enables comparisons to be made within the Group.

The net operating income of an operational unit shows the unit's sales in relation to the costs directly allocable to it as multi-stage contribution costing. If each unit achieves a certain performance target, the Group-wide goals will also be reached. This indicator is also considered a budget factor when assessing the variable components in syskoplan's remuneration system.

The sales pipeline involves systematically assessing the current acquisition opportunities in terms of sales. Current acquisition projects at various stages of the sales process are incorporated into the sales potential available at any one time along with their expected value. By comparing these with the goals for the year, it is possible to assess the sales work at each location.

Integrated monitoring of the management indicators described above and accompanying analyses form the informational basis for the value-orientated management of syskoplan. Systematic planning and reporting processes ensure the indicators are available and supply information to decision makers.

Based on the plans for each operative segment, annual goals and budgets are developed as part of the planning for each year. Each operational unit makes plans for the coming months regarding various earnings and cost components by means of rolling monthly planning. This rolling mechanism pinpoints relatively precisely what results can be expected in the future, allowing corrective action to be taken in time if necessary.

2. General Economic and Sector Trend

According to an analysis by the European Information Technology Observatory (EITO), in 2006, the market for information technology and telecommunications (ITC) in the European Union grew by 3.1% to EUR 644 billion. It thus grew 20% more than the EU economy as a whole. The German ITC market grew by 2.5%. This positive trend is set to continue in 2007, although it is expected to be slightly less pronounced. The EITO expects the ITC market in the EU to grow by 2.9% to EUR 663 billion. This would mark a slight drop in the growth rate vis-à-vis 2006.

Software and IT services posted particularly strong growth. According to EITO calculations, sales of IT services increased by 5.3% to some EUR 132 billion in 2006. In the same period, the software market grew by 6.3% to EUR 71.5 billion. The EITO is more optimistic about this sector than the overall market, predicting a growth rate of 5.4% following 5.3% in 2006 and thus forecasting a further upturn in the market. BITKOM confirms this trend for the German market, anticipating growth of 4.6% in IT services and therefore a slight market upswing.

A recent study by the Gartner Group shows that the services typically offered by syskoplan are increasingly being prioritized:

Area	2006		2005	Expenditure compared to 2005
Business Intelligence	1	↑	2	+4.8%
Security tools	2	↓	1	+4.5%
Mobile applications	3	↔	3	+3.9%
Collaboration technology	4		*	+3.6%
Sales and CRM applications	5	↑	8	+3.4%
Service-orientated applications and architectures	6	↑	11	+3.2%
Workflow management	7	↓	4	+3.2%
Networking (linguistic and data communication)	8	↓	7	+3.0%
Virtualization	9	↑	10	+2.9%
Modernizing and upgrading old applications	10	↓	5	+2.5%

Source: Gartner Group, taken from Computerwoche 06/2007

Issues of particular relevance to syskoplan are highlighted in red in the table.

3. Sales Trend

3.1 Consulting and Project Business

syskoplan concentrates its business activities on the design and optimization of companies' customer-centric business processes which are critical to success. Last year, syskoplan's core business continued to develop stably and profitably. In addition to further intensifying business with existing customers, we were able to achieve a marked increase in the acquisition of new customers. This included launching projects with companies such as Alte Leipziger, AZ Direkt (Bertelsmann), Benteler, Claas, Dr. Oetker, DRK, DZ BANK, Home Shopping Europe, Kone, Miele, RheinEnergie, Siemens Business Services, Singulus, T-Systems and Westdeutsche ImmobilienBank.

Vorwerk's own customer interaction center went live for Vorwerk Austria. This software, which is based on SAP R/3 and CRM, provides the sales companies within the Vorwerk Group with a complete customer history plus a tool which supports decision making and reflects the complex rules and regulations that apply to cus-

tomers service. This software is also launched elsewhere, e.g. in Italy.

syskoplan AG and the Deutsche Börse AG Group concluded a skeleton agreement which entails increasing the two parties' cooperation. The two companies have been working together on CRM projects for a number of years. syskoplan designs the stock market-specific implementation of CRM solutions based on standard software. This primarily covers content such as licensing stock market players and providing them with a technical connection to the trading systems including change/problem management and marketing/campaign management.

A comprehensive CRM system based on SAP CRM 5.0, SAP NetWeaver 2004 Portal & BW went into operation for Claas. This integrates a wide range of dealer network functions. A CRM system also went into production at Deutscher Sparkassenverlag. This allows the specialist departments to plan annual talks and record cross-divisional correspondence and potential customers. A customer loyalty application was developed for AUTOGERMA. BW reporting was ramped up at Hilti,

dramatically improving the system's performance. NVIDIA became the first customer to implement our market development fund function, which is supplied with SAP CRM 5.0. Deutsche Lufthansa AG, Cologne, is another new Business Information Warehouse customer.

We succeeded in adding another member of the 1-2-3.tv family to our customer base. The quiz channel 1-2-play GmbH was launched in October 2006. In just seven weeks, we developed a controlling application and analysis components to support broadcasting operations based on Microsoft SQL Server 2005. The system virtually works in real time.

The IT management segment gained three new customers: a renowned outsourcer, for whom we designed the overall global IT service invoicing concept, another computer center service provider, for whose customers we are designing and implementing an IT service billing package, and an internal IT provider, whose purchasing and stock management is being designed and implemented with standard SAP ERP tools. In addition, the IT management products SLAM, SPA and NOAH were updated in line with the current SAP standard ERP 2005 and prepared for renewed certification by SAP "powered by NetWeaver." A multi-project management solution was realized in the standard SAP ERP environment for a customer from the field of mechanical engineering (combination of cProject, SAP PS and CATS).

At Hipp, the CRM application to support consumer service processes (service for parents) and direct marketing went into production on schedule. It is based on SAP CRM and the is4 product xpressCSI. For Melitta domestic products, an application for category management based on mobile sales was installed for sales reps in Germany. This application is unique in the German consumer goods market. Parts of it were incorporated into the latest SAP CRM release. A project was

launched at EDEKA Minden incorporating the workflow for incoming invoices. For this project, is4 initiated a partnership with AFI in Stuttgart, which markets DirectInvoice Control. is4 also added Werner & Mertz to its books (brands such as Erdal, Frosch). The company is working on supply chain management reporting in the Business Information Warehouse.

macroInnovation, the latest addition to the syskoplan Group, also developed to our satisfaction. Interesting new projects were initiated with Dresdner Bank and Soka Bau. A new in-tray solution went live at DBV Winterthur and a document management and intranet system successfully went into production at Energie BKK.

3.2 Outsourcing

Another key customer, the Hettich Group, transferred its computer center operation to is4 in 2005. The signing of this contract marks a substantial step in the syskoplan Group's outsourcing strategy. The syskoplan Group's outsourcing services, for which is4 is responsible, are to be extended further. In doing so, the strategic focus will be on local SMBs that have embedded their business management processes in an SAP environment and are seeking a partnership of equals. SAP's new developments will reinforce willingness to opt for outsourcing in the form of application service provision (rental models).

3.3 Partnerships

Our most important partnership remains that with SAP. Along with the development partnership, we are an Alliance Partner Service and a Special Expertise Partner for

- + SAP Banking
- + SAP Consumer Products
- + mySAP CRM
- + mySAP SCM (APO)
- + SAP NetWeaver (Business Intelligence, Portal, Exchange Infrastructure, Master Data Management)
- + SAP Enterprise SOA

With syskoplan Performance KPI Analytics and syskoplan Voice KPI Analytics, we have also developed further components which play an important role in SAP's future software architecture as so-called xApps. In addition, various syskoplan Group products are already certified for SAP's new technology platform. This gives syskoplan the status of an independent software vendor (ISV) of SAP.

Our network strategy launched in 2006 also involves further extending our range of partners. While consolidating our relationship with Microsoft, we were also able to acquire expertise in data management – business intelligence. Our relationship with Microsoft has been placed on a different footing by the Microsoft activities of Xuccess, which recently joined the Group. A start-up will also be spun off which will increasingly focus on Microsoft's business intelligence products. Each specialist unit will, of course, remain strictly loyal to its own dedicated partner.

3.4 Sales Trend

In the 2006 financial year, syskoplan Group sales increased from EUR 40.3 million to EUR 45.2 million, representing a 12% rise. These figures refer to the data for continuing fields of activity, which form the basis for the following comments. The Group's activities in the USA were discontinued in the year under review and recorded as discontinued activities. The increase in

sales was largely due to the inclusion of macrosInnovation GmbH in the consolidated entity as of April 2006. In this period, the company (including its subsidiary macrosSolution) generated sales of EUR 4.1 million. The sales posted by the other individual companies as per IFRS were as follows. The German stock corporation (AG) recorded revenues of EUR 28.3 million in the past year (previous year: EUR 29.3 million). Most of this decline in sales was seen in Q4, when two effects coincided. On the one hand, a number of highly complex solutions went live in the same period of 2005. There were no comparable projects in 2006. On the other hand, various internal projects were launched to set up the network. These tied up capacity in Q4 2006 and Q1 2007. cm4 contributed EUR 4.2 million to Group earnings; sales in the previous year totaled EUR 3.6 million. Sales by is4 amounted to EUR 15.5 million (previous year: EUR 14.1 million).

Despite taking on a large number of new staff, sales productivity remained more or less constant in the 2006 financial year. In the syskoplan Group, the sales generated per FTE employee came to EUR 139 thousand, vis-à-vis EUR 140 thousand in the year before. This remains a very good figure in comparison with other market players.

4. Personnel Trend

The number of employees in the Group as at 12.31.2006 was 13% higher than at 12.31.2005. Including members of the various executive bodies, the Group employed 353 members of staff.

At year end, the German stock corporation (AG) had 204 employees (previous year: 191). The workforce at cm4 decreased slightly from 30 employees at the end of 2005 to 27 at the end of 2006. At the end of the financial year, is4 – our joint venture with the Melitta Group – had 89 employees (previous year: 92 employees). macrosInnovation's 20 employees joined the

syskoplan Group in April. At year end, 23 staff worked here. Since December, 8 employees of Interactiv have been working for the syskoplan Group.

Converted into full-time equivalents, the number of employees in the syskoplan Group increased by 13% to 326 in 2006 against an average of 288 in 2005.

In June 2006, syskoplan AG added another member to its Executive Board. Dott. Daniele Angelucci (50) is now responsible for finance. Within the management team, Dott. Angelucci is also responsible for cooperation with Reply. As the Chairman of the Executive Board, Dr. Wassel is responsible for the fields of strategy, communication and investor relations. Operative business, sales and personnel remain within Dr. Meier's area of expertise.

5. Disclosures as per § 289 Section 4 and 315 Section 4 of the German Commercial Code (HGB)

The share capital of syskoplan AG is divided into 4,435,616 individual bearer shares, each with an accounting par value of 1 euro in the capital stock.

The Italian IT conglomerate Reply S.p.A., Turin, Italy, informed the Executive Board of syskoplan AG on January 23, 2006, that it had exceeded the threshold of 50% of the voting rights in syskoplan AG on January 19, 2006. As at December 31, 2006, Reply S.p.A. holds 60.4% of the syskoplan shares either directly or indirectly. Iceberg S.A., Luxembourg, Luxembourg, informed us that the voting rights held by or assigned to Reply S.p.A. are attributable to Iceberg S.A. as per § 22 Section 1 Sentence 1 No. 1 and Sentence 2 of the Securities Trading Law (WpHG). Alika s.r.l., Turin, Italy, informed us that the voting rights assigned to Iceberg S.A. are attributable to Alika s.r.l. Dott. Mario Rizzante also informed us that the voting rights held by Alika s.r.l. are attributable to him.

A resolution was passed at the Annual General Meeting on September 20, 2000, to implement a conditional capital increase of up to EUR 300,000 by issuing up to 300,000 new individual bearer shares for the exercise of subscription rights under a share option plan. Since this authorization was granted, a total of 205,055 share options have been issued. 11,031 subscription rights were exercised in the 2006 financial year, resulting in the issuing of 11,031 new individual bearer shares with a nominal value of EUR 1.00 each from the conditional capital.

The Annual General Meeting on May 20, 2005, authorized the Executive Board to increase equity capital by up to EUR 2,100,000 (approved capital) in the period to May 20, 2010, with the Supervisory Board's approval. Following a Supervisory Board decision on 5.10.2006, the approved capital was utilized to increase the company's equity capital by EUR 224,585.00 to EUR 4,424,585.00 by issuing 224,585 new individual bearer shares with a nominal value of EUR 1 each.

The Annual General Meeting on May 24, 2006, authorized the Executive Board to acquire own shares of up to 10% of the then equity capital of EUR 4.2 million in accordance with § 71 Section 1 No. 8 of the AktG until November 24, 2007.

The statutory requirements of the German Stock Corporation Law are applied to the appointment and dismissal of Executive Board members and to changes to the articles of incorporation.

6. Shares and Options Held by Board Members

Due to the acquisition of a majority share by Reply S.p.A., the percentage of shares held in syskoplan by the Executive Board members has been dramatically reduced. Dr. Manfred Wassel and Dr. Jochen Meier now hold shares in Reply S.p.A. instead. At the end of 2006, Dr. Wassel still held 2 syskoplan shares (previous year: 1,054,211). Dr. Jochen Meier held just one syskoplan share (previous year: 256,959 shares). In early 2004, the Executive Board resolved to forgo the allocation of share options. Accordingly, the number of share options held by the Executive Board remained unchanged in 2006 at 1,724 each.

As at December 31, 2006, the Supervisory Board Chairman Dott. Mario Rizzante held 2,679,604 syskoplan shares, which are indirectly attributable to him according to § 22 of the Securities Trading Law (WpHG). At the end of 2006, Dr. Niels Eskelson held 500 shares and Dr. Gerd Wixforth 4,200 shares in syskoplan AG. The remaining members of the Supervisory Board hold no shares. No options were issued to the members of the Supervisory Board.

syskoplan AG held 1,481 own shares at the end of the 2006 financial year.

7. Remuneration Report

The Supervisory Board is responsible for concluding contracts with the Executive Board members and therefore setting their remuneration. The Supervisory Board's remuneration is based on the articles of incorporation and is set by the Annual General Meeting. Further details are contained in the remuneration report which can be found in the Corporate Governance report on the pages 47 et seq. This remuneration report audited by the auditor is part of the management report.

8. Investment Activities

A further EUR 0.8 million was invested in tangible fixed assets. As in previous years, last year several syskoplan employees had the opportunity to collaborate on development projects with our technology partners SAP and Microsoft. syskoplan's long-standing close collaboration with the SAP development division in particular secures detailed knowledge and contacts that can play a crucial role in taking a project forward in critical phases.

syskoplan invested a further EUR 0.5 million in software reported as intangible assets. This included development expenses for an SAP-supported solution for efficient complaints management in the field of end consumer service. This solution, developed by is4, is offered to producers of brand-name products and is already used by Hipp. After depreciation the book value of acquired and self-developed software amounted to EUR 0.4 million.

On April 5, 2006, syskoplan AG successfully concluded its negotiations to purchase macrosInnovation GmbH, Munich. syskoplan acquired all the shares in the Munich-based IT specialist for a figure below EUR 10 million. macrosInnovation offers productivity-boosting IT solutions for workflows at banks and insurance companies. These solutions link document and knowledge management with rule-based process management.

The purchase price includes cash and a share component and involves an earn-out. The shares are subject to a lock-up period. The transaction became contractually binding on January 1, 2006. macrosInnovation was first included in the Group financial statements according to IFRS in Q2 2006. syskoplan has consolidated its position in two ways with the acquisition. On the one hand, it has extended its services for financial service providers. On the other hand, macrosInnovation has extensive experience in utilizing service-oriented archi-

tures and thus strengthens syskoplan's ability to implement solutions using new software technologies.

CareGain, a start-up that offers companies solutions in the US healthcare field, was sold to Fiserv, a large US healthcare supplier, in early January 2006 by its owners. For this reason, syskoplan disposed of its 10% share in CareGain at the beginning of January 2006 with a book profit of EUR 1.6 million before tax.

With effect as of December 1, 2006, syskoplan AG increased its share in the Cologne-based company Interactiv GmbH & Co. KG to 85% (previously 18%). Acquiring a majority stake in Interactiv is the first step towards strengthening its position in the field of services for digital media. Sascha Müller and Dr. Marcus Garbe, the two founders of Interactiv, still manage the company's business dealings. The two companies agreed to maintain confidentiality regarding the conditions of the transaction.

Interactiv develops mobile services and applications commissioned by clients. The award-winning mobile media portal JOCA is a solution which allows TV viewers, radio listeners and readers to enter competitions or order products via their cell phones, for example. JOCA therefore allows the media and the advertising industry to establish direct, interactive customer contact. In future, Interactiv will also play a more prominent role as a service provider in the field of mobile applications and business processes.

9. Asset Position, Financial Position

9.1 Balance Sheet Structures

The syskoplan Group's balance sheet total increased by 9% to EUR 40.3 million last year. In the same period, the current assets proportion of the balance sheet decreased to 71% (compared to 78% in the previous year). Changes in the current assets were less of a factor in this development than increases in non-current

assets. Trade accounts receivable were down 12% at EUR 7.6 million. Due to an acquisition (macros Innovation), marketable securities increased to EUR 0.9 million. Cash and cash equivalents declined by 5% to EUR 19.0 million. The assets from discontinued fields of activity include cash and cash equivalents worth EUR 0.7 million.

At the end of the reporting period, non-current assets amounted to EUR 11.6 million (previous year: EUR 8.2 million). They accounted for 29% of the balance sheet total at the end of 2006 (previous year: 22%). By acquiring macrosInnovation and Interactiv, goodwill increased to EUR 6.4 million. Other intangible assets and fixed assets dropped to EUR 4.5 million (previous year: EUR 4.9 million). Non-consolidated investments decreased to EUR 5 thousand from EUR 2.0 million a year earlier due to reclassification following the acquisition of a majority share in Interactiv. Deferred taxes dropped again, primarily due to the utilization of tax carryforwards following positive business developments, from EUR 0.9 million to EUR 0.5 million. Over 200% of the non-current assets are still covered by equity capital.

On the liabilities side of the syskoplan Group balance sheet, current liabilities increased slightly from EUR 9.5 million to EUR 9.7 million. This still equated to a decrease from 26% to 24% of the balance sheet total. Reserves increased to take account of the earn-out obligations entailed in company acquisitions. Tax liabilities were also up from EUR 0.8 million to EUR 1.5 million; this was primarily due to the positive course of business. Trade accounts payable, on the other hand, were slashed from EUR 3.1 million to EUR 0.5 million. Inpayments of EUR 0.9 million were carried as a liability for projects for which payments received exceed expenditure. Other current assets were reduced by 19% to EUR 1.0 million.

Long-term liabilities dropped slightly from EUR 6.4 million to EUR 6.3 million. Please note that minority interest is shown differently than in the previous year. As minority shareholders in commercial partnerships theoretically have the option of terminating their holding, according to IFRS their shares in such companies are to be shown as long-term liabilities rather than as equity capital, as was previously the case. They are to be posted each year at their fair value; any differences in value should be taken into account when drawing up the profit and loss account. The valuation of is4 as at December 31, 2006, revealed any differences which had no effect on the profit and loss account. The figure recorded for this item is also affected by the share of is4's earnings to which minority shareholders are entitled and any dividend resolutions.

As regards pension provisions, please note that pension obligations were offset against the asset value of the existing reinsurance policies for the first time this year. The figure shown now only includes the syskoplan Group's pension obligations which are not covered by reinsurance. The previous year's figures have been adjusted accordingly.

The syskoplan Group's equity ratio increased from 57% to 61% in the reporting period. Equity capital grew due to various capital measures. On the one hand, these include syskoplan employees exercising 11,031 of the options issued under the share option plan. On the other hand, the 6% increase in equity capital is primarily due to the capital increase implemented for the acquisition of macroInnovation. As part of the acquisition, 225,000 new shares were issued in return for non-cash capital contributions. The premium received from these transactions also led to a 13% increase in additional paid-in capital to EUR 17.2 million. The notional costs for share options were also taken into account. The syskoplan Group's good business situation prompted a 68% increase in surplus reserves, which now stand at EUR 2.8 million. The reserves for translation

adjustments were dissolved in the course of the year following discontinuation of the Group's US activities.

9.2 Liquidity Situation

Despite substantial investments and dividend distributions to shareholders, the syskoplan Group's liquidity remained very high in the 2006 financial year. The cash flow according to DVFA/SG increased by 10% to EUR 4.5 million. Last year, an inflow of funds totaling EUR 3.0 million was generated from operating activities, compared to EUR 5.3 million in the previous year. This reduction is primarily due to the marked increase in net working capital. The cash flow from operating activities now accounts for 6.7% of sales revenues, increasing from 5.3% in the previous year.

Investment activities in 2006 resulted in a EUR 3.6 million outflow of funds at Group level. In the previous year, this item was EUR -1.8 million. Disposals of tangible fixed assets and the stake in CareGain resulted in an inflow of funds totaling EUR 2.6 million.

The outflow of funds in connection with financing activities came to EUR 1.7 million (previous year: EUR 2.0 million), mainly due to dividend payouts and payments to minority shareholders.

Overall, liquid assets rose by EUR 1.0 million to EUR 19.0 million in 2006. First-degree liquidity (the ratio of liquid assets to current liabilities) was 207% in 2006. In the previous year, it was 209%. Taking into account receivables and other quickly realizable items, second-degree liquidity is 280% compared to 282% in 2005.

10. Earnings Position

Last year, the syskoplan Group's earnings position developed very positively, which is reflected in an EBT margin (EBT to sales) of 10.2%.

The two US subsidiaries – syskoplan consulting Inc. and syskoplan Holdings Inc. – ceased business operations in 2006. The US subsidiaries' result is therefore recorded as a balancing item under the result from discontinued business activities. Including the income from the disposal of the stake in CareGain, this totals EUR +0.07 million. Last year, we recorded a deficit here as well in the amount of EUR -0.5 million. The individual items in the profit and loss account therefore relate solely to the activities of the German Group companies.

Gross earnings from sales totaled EUR 13.1 million, following EUR 11.7 million in the previous year. The operating result (EBIT) was EUR 4.2 million (previous year: EUR 3.6 million). Earnings before taxes (EBT) amounted to EUR 4.6 million (previous year: EUR 3.7 million), taking into account the EUR 0.3 million increase in financial earnings.

An analysis of the Group's overall costs shows a 6% year-on-year increase to EUR 41.4 million. This was primarily due to changes in the consolidated entity. Personnel expenses rose by 9% to EUR 24.7 million. The cost of purchased services increased last year from EUR 4.4 million to EUR 5.1 million. This resulted from is4 taking over Hettich's computer center operations. Operating expenses increased by 2% to EUR 16.7 million.

The cost of revenues in 2006 was 7% higher than the previous year's figure (EUR 29.9 million) at EUR 32.1 million. Spending on materials thereby remained at a constant level of 29%. Selling and marketing expenses increased by 15% to EUR 5.2 million. Administrative expenses remained steady at EUR 4.1 million.

After taxes, minority interests and the result from the discontinued US activities, we posted a net profit of EUR 2.2 million for the year (previous year: EUR 1.3 million). It should be noted here that the rate of taxation increased from 36% in the previous year to 41%. This equates to undiluted earnings per share of EUR 0.50 following EUR 0.30 in the previous year.

11. Position of the Parent Company syskoplan AG

All remarks on the individual financial statements of syskoplan AG are based on the German accounting principles laid down in the German Commercial Code (HGB). The consolidated financial statements were drawn up in accordance with IFRS regulations.

11.1 Balance Sheet Structures

syskoplan AG's balance sheet total in the 2006 financial year was EUR 34.9 million, an increase of 11% on the previous year. This increase in the balance sheet total primarily affected fixed assets, which grew by 59% to EUR 12.5 million. The acquisition of macrosInnovation in April 2006 and Interactiv in November 2006 over-compensated for the devaluation carried out on the share held in the American company syskoplan Consulting. No major changes were seen in the other items within fixed assets.

In the year under review, current assets decreased slightly to EUR 23.2 million (-5%). Trade accounts receivable dropped by 21% to EUR 2.7 million, while accounts receivable from affiliated companies saw an 18% rise to EUR 3.4 million. The turnover rate of receivables increased year on year from 8.2 to 10.7. Despite the dividend payment and substantial investments, syskoplan AG's liquid assets were just EUR 0.7 million below the previous year's figure at EUR 14.2 million.

Fixed assets now account for a larger proportion of assets at 36% (up from 25% in the previous year). Cur-

rent assets still account for the largest proportion, making up 64% of the balance sheet total compared with 75% in the previous year.

Equity capital increased by 10% to EUR 26.5 million. At the same time, the equity ratio declined slightly, from 77% to 76%. Reserves increased marginally by 2% to EUR 2.4 million, largely due to other reserves (earn-out for macrosInnovation and Interactiv).

As in the previous year, first-degree liquidity – that is the ratio of liquid assets to current liabilities – was 231% in the 2006 financial year. Second-degree liquidity, which also takes into account quickly realizable assets, was 341% in the 2006 financial year following 344% in the previous year.

The cash flow from day-to-day business activities was EUR 3.3 million in 2006 compared to EUR 3.6 million in 2005. The improvement in earnings for the year and the marked increase in depreciation were counteracted by a reduction in the release of net working capital, leading to this development.

The outflow of funds for investment activities increased dramatically in 2006 from EUR -1.9 million to EUR -3.0 million, mainly due to the acquisition of holdings. As in the previous year, the Annual General Meeting in May 2006 resolved to pay a dividend of EUR 1.1 million, equivalent to EUR 0.26 per share. Taking into account the inpayments and outpayments for the sale and purchase of own shares, the cash flow from financing activities in 2006 resulted in an outflow of funds totaling EUR -1.0 million (previous year: EUR -1.1 million).

11.2 Earnings Position

The gross performance of syskoplan AG (sales revenues plus changes in the work-in-progress inventory) remained the same as in the previous year at EUR 29.0

million. The average number of employees increased by 5 to 189.

The operating result was EUR +0.9 million in 2006 against EUR +1.2 million in the previous year. This was due to a slight increase in gross profits at EUR 29.9 million coupled with a EUR 0.5 million rise in operating expenses. Personnel expenses were up by 6% at EUR 14.9 million. By contrast, the cost of purchased services dropped by 15% to EUR 3.7 million. Other operating expenses increased by 3% to EUR 10.1 million.

At EUR 1.2 million, syskoplan AG's financial result improved markedly in 2006. This was due to a sharp rise in earnings from shareholdings which far overcompensated for the increase in depreciation on financial assets (EUR 1.3 million compared to EUR 0.7 million). An increase in interest income was also recorded thanks to an interest rate increase.

Pre-tax earnings amounted to EUR 2.1 million, a 50% improvement over the previous year. While no taxes needed to be paid the previous year due to the utilization of tax-exempt losses brought forward, tax expenses came to EUR 0.6 million in 2006, equivalent to a taxation rate of 28%. syskoplan AG's net income totaled EUR 1.5 million in the year under review (previous year: EUR 1.4 million).

syskoplan AG shows a balance sheet surplus of EUR 1.5 million. On the basis of this figure, the executive bodies will decide on distributing dividends for the 2006 financial year and allocating a sum to the surplus reserves. As in previous years, a dividend of EUR 0.26 per share is expected to be paid, which was equivalent to a total payout of EUR 1.15 million as at 12.31.2006. This amount is likely to change prior to the Annual General Meeting in May 2007, as any further options which are exercised could change the share capital.

12. Risk Reporting

With its activities in the field of IT services, the syskoplan Group is exposed to diverse risks in the normal course of business. Our risk policy is geared toward taking advantage of business opportunities that present themselves while taking on only those risks that are unavoidable in the context of value creation or that seem reasonable. Therefore, risk management is an integral part of our business processes and decisions. The Executive Board is responsible for risk policy and for internal controlling and risk management systems. The management of the operating units follows these principles and is responsible for the risks it takes on in its regional and international business dealings. The status of and changes in significant risks are communicated in regular reports. We review our business goals and risk management measures throughout the year with the aid of monitoring systems, procedures and reporting standards. In this connection, we should mention by way of example the rolling monthly planning and continuous assessment of our sales pipeline.

Our business, our funding and earnings from operative business can be jeopardized by the risks listed below. They include in particular falls in demand and fluctuations in hourly rates for consulting services. syskoplan AG counters these risks by taking action in the field of sales and capacity management, including with regard to the use of freelance personnel. syskoplan AG monitors projects closely so as to counter potential overruns in fixed-price projects. The management keeps a close eye on technological developments and is responsible for prompting the operating units to make changes and adjustments in good time. These are not the only risks to which we are exposed. Other, as yet unidentified or negligible risks could also have a negative effect on our business.

With regard to the market situation and the situation in the sector, the Group's position derives from the sum

of the risks discernible in the individual companies. There are increasing signs of a recovery in the economy as a whole, from which the IT market should also profit. However, some economic risks are still perceptible in the regions where syskoplan companies operate. All markets are shaped by fierce competition, especially over prices, service quality and development times.

To maintain and improve our competitive strength and build up the Reply network in Germany, we will to an increased extent examine the possibilities of making acquisitions and of entering into strategic alliances or joint ventures. Transactions of this kind inevitably entail risks due to the challenges of integrating personnel, operating processes and technologies.

syskoplan increased its share in Interactiv to 85% in November 2006. Together, syskoplan, Interactiv and the newly established company discovery sysko – another syskoplan AG subsidiary – can offer a direct link between a new communication channel and advertisers' CRM systems. Interactiv's solutions have already received a number of awards. The Reply Group's strong position in the telecommunications and media sector opens up additional marketing opportunities for both companies. Nonetheless, both Interactiv and discovery sysko are still in the start-up phase, meaning that it is impossible to rule out a total loss.

The syskoplan Group's success is based to a very large extent on the performance of its employees. There is still intense competition for highly qualified specialists and managers with a sound background in the sector. To keep employees committed to the company, we offer Group-wide integration and employee participation schemes as well as attractive remuneration packages.

13. Risks from Financial Instruments

In the financial management area, constant liquidity is ensured using the customary instruments of financial planning. In this connection, subsidiaries' possible liquidity requirements are also taken into account. The syskoplan Group works with various banks with an excellent credit standing to keep the risk of default on cash minimal. Interest rate risks are only present to a limited extent because the investment horizon is generally kept very short.

As regards debtors, movements in the backlog of receivables are monitored continuously. Due to our customers' creditworthiness, the risk of default is very low.

In the individual financial statements for syskoplan AG, shares in affiliated companies are also exposed to changes in value. Furthermore, fluctuations in dividends present a potential risk of instability regarding cash flows. These risks are permanently monitored as part of the rolling monthly planning.

In our estimation, substantial impairment of the syskoplan Group's business development by pending or threatened court proceedings is not to be expected.

The continued existence of the syskoplan Group and the companies within it is not endangered by any factors relating to substance or liquidity. This assessment is supported by the analysis of business trends and liquidity presented here. The existing liquidity portfolio and the equity base are an adequate foundation for implementing our strategic goals in the medium term. Nor are any risks that represent a threat to the company's survival discernible in the medium term.

The risk management instruments for syskoplan AG and its subsidiaries are subject to continuous further development and are integrated into current business operations.

14. Dependence Report

As no control agreement has been concluded with the majority shareholder, the Executive Board of syskoplan AG was obliged to produce a report disclosing relationships with affiliated companies in accordance with § 312 of the German Stock Corporation Law (AktG). This report covers the relationships with Alika s.r.l. and the companies affiliated with Alika.

In line with § 312 Section 3 of the German Stock Corporation Law (AktG), the Executive Board declares that syskoplan AG received an appropriate consideration for the legal transactions and measures described in the report on relationships with affiliated companies according to the circumstances known to the Executive Board at the time when it completed the legal transactions or either implemented or refrained from implementing the measures in question. Furthermore, syskoplan AG was not discriminated against for implementing or refraining from implementing the above measures.

15. Outlook

The first financial year since establishing the partnership with Reply was an extremely fruitful one. syskoplan made good progress towards building up a network of specialized best-in-class companies, not only by acquiring macros, Interactiv and – most recently – Xuccess. Both this and the internal organization of the company into specialist units – with three start-ups ready to enter the market in 2007 – lay the foundations for achieving syskoplan's goal of further boosting profitable growth.

The aim is to double annual sales by 2010 by means of organic growth and acquiring other companies which will strengthen the network. The network portfolio will always include established companies as well as investments in promising new start-ups with forward-

looking ideas (e.g. telecommunications, new technologies). For this reason, a further objective is to largely maintain the syskoplan Group's current earning power on balance. By consistently implementing the network philosophy with a group of specialist companies who are best in their class, and combining this with systematic and effective network and portfolio management we regard this perspective as sound standing. Furthermore, we can draw on the extensive experience and management methods of our partner Reply to help us achieve our objectives. We certainly have the financial means to achieve our development aspirations.

By implementing these medium-term targets, we anticipate sales of between EUR 56 and 60 million for the 2007 financial year. This growth of well over 20% will be based on the performance of the existing network units and on any other transactions in the field of mergers and acquisitions with the aim of further extending the syskoplan network in 2007. We also expect the EBITDA margin to remain in double figures. The cash flow generated will consolidate the Group's liquidity and contribute towards financing further acquisitions.

16. Special Events After the Balance Sheet Date

On 1.12.2007, syskoplan AG and the shareholders of Xuccess Consulting GmbH (based in Gilching near Munich) signed a letter of intent which involves syskoplan acquiring 100% of the shares in Xuccess. The purchase price is below EUR 10 million and encompasses a cash payment and shares and also includes an earn-out. A lock-up period will be imposed on the shares. The contract of sale was signed on 2.6.2007.

Xuccess specializes in business consulting in the context of banking regulatory reporting and also offers IT consulting for Microsoft environments. The company is a Microsoft Gold Certified Partner. In the last financial year, Xuccess's 40 employees generated a turnover of

EUR 7.6 million; the company's EBT margin runs into double figures.

With the acquisition, syskoplan will further extend its range of services in the banking/financial service provider sector. Xuccess's activities in the Microsoft environment will make an important contribution towards the company's plans to further consolidate Microsoft expertise within the syskoplan network of companies.

No further substantive events occurred after 12.31.2006 that affect the asset, financial and earnings position.

Gütersloh, March 1, 2007

syskoplan AG

The Executive Board



2.2 The Boards

Executive Board

In the year under review the following individuals were members of the Executive Board:

Dr. Manfred Wassel, Gütersloh

Chairman of the Executive Board
Corporate Strategy, Marketing, Communications, Investor Relations

Dott. Daniele Angelucci, Gütersloh

Finance, Mergers & Acquisitions, Reply Network (since 9.1.2006)

Dr. Jochen Meier, Löhne

Operations, Sales, Personnel

Supervisory Board

In the year under review the following individuals were members of the Supervisory Board:

Dott. Mario Rizzante

Chairman
Turin, Italy
President of Reply S.p.A.
Member since 2.16.2006, Deputy Chairman since 3.21.2006, Chairman since 05.24.2006

Dr. Stefan Duhnkrack

Hamburg
Partner at Heuking Kühn Lüer Wojtek, Hamburg since 2.16.2006

Dott. Riccardo Lodigiani

Turin, Italy
Senior Partner at Reply S.p.A. since 2.16.2006

Dr. Niels Eskelson

Deputy Chairman
Paderborn
Consultant
Chairman until 05. 24.2006, Deputy Chairman since 05.24.2006

Dott. Tatiana Rizzante

Turin, Italy
Senior Partner at Reply S.p.A. since 2.16.2006

Dr. Gerd Wixforth

Gütersloh
Retired city manager

The deputy chairman of the Supervisory Board, Dr. Klaus Weigel, resigned his seat on January 18, 2006. On February 15, 2006 Dr. Peter Pagé, Dr. Reinhard K. Sprenger and Markus Wilhelm also announced their resignation.

2.3 Report of the Supervisory Board

The Supervisory Board performed its duties in the year under review in accordance with the law and with the company statutes. It advised the Executive Board regularly on the management of the business undertaking and monitored the management of the company. The Supervisory Board was directly involved in all decisions of fundamental significance to the business undertaking.

The Executive Board informed the Supervisory Board in detail about the business and financial position, the personnel situation, the course of business of the Group and about investment plans and fundamental business policy issues. The Supervisory Board made decisions on business transactions requiring its consent under the rules of procedure issued for the Executive Board. In addition, the Executive Board outlined the course of business and the economic situation regularly as part of its monthly reports. In the financial year 2006, the Supervisory Board held five regular meetings (on March 21, May 23, May 24, September 26 and December 05, 2006). No Supervisory Board member attended fewer than half of these meetings. In addition, the Supervisory Board made various decisions on the basis of circulating documents and in the context of telephone conferences.

Aside from the Supervisory Board meetings, the Supervisory Board Chairman kept in regular contact with the Executive Board. He received prompt updates on the current development of the business position and on key business events.

Declaration of Conformity with the Corporate Governance Code

At its meeting on December 05 the Supervisory Board dealt in detail with the implementation of the German Corporate Governance Code at syskoplan AG. At that meeting, the Executive Board and the Supervisory

Board adopted an updated declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG). This was posted on the website to be permanently accessible to shareholders.

In implementing the code, the Supervisory Board concerned itself at several meetings with examining its efficiency. It examined in particular the due and full supply of information to the Supervisory Board, as well as its composition and organization.

Further information can be found in the corporate governance report drawn up jointly by the Executive Board and the Supervisory Board.

Audit of the Financial Statements and Consolidated Financial Statements

The financial statements for 2006 and management report of syskoplan AG were audited by the appointed auditor, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The auditor found that the annual financial statements were in accordance with proper bookkeeping and with statutory requirements and established that the risks of future development are described accurately in the management report. He certified this in an unqualified audit opinion. The aforesaid also applies to the consolidated financial statements drawn up in accordance with IFRS and to the management report for the Group.

The auditor also examined the syskoplan AG early risk recognition system as required by § 317 Section 4 HGB. As the result of his examination, the auditor established that the system takes account of the management's obligations in the operative field and the strategic field as laid down by law for the purpose of control and transparency in companies.

All documents pertaining to the financial statements, the auditor's audit opinions and their annexes and the Executive Board's proposal for the application of profit were submitted to the Supervisory Board in time. It examined them and discussed them in detail at the meeting held on March 21, 2007. The auditors took part in the discussion of the financial statements and the group statements. They reported about the essential results of the examinations and were at the disposal for questions and supplementary information to the supervisory board.

After an own check of the financial statements, the group statements and the management report summarized with the group management report the supervisory board has agreed to the result of the examination by the auditor and noticed that objections were not to be made. The Supervisory Board approved the consolidated financial statements for 2006 and the financial statements for 2006 of syskoplan AG along with the summarized management report. The financial statements are therefore final.

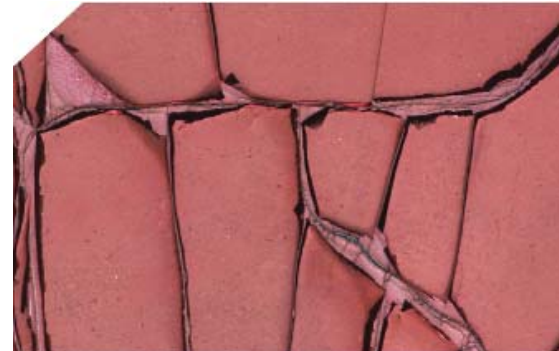
The dependency report of syskoplan AG set up by the Executive Board was also audited by the auditor. It has confirmed in his obligatory examination and judgment, that the actual details of the report are correct, for the legal transactions listed in the report the consideration of the company was not unreasonably high and for the measures mentioned in the report no circumstances fundamentally argue for another judgment than the one made by the Executive Board. After its own examination the Supervisory Board arrives at the final conclusion that the dependency report is complete and correct and that no objections arise against the final statement of the Executive Board according to § 312 sect. 3 AktG.

The Supervisory Board wishes to thank the Executive Board and all employees of syskoplan Group companies for their exceptional personal commitment in the past financial year.

Gütersloh, March 21, 2007

The Supervisory Board

Dott. Mario Rizzante
Chairman



2.4 Report on Corporate Governance

syskoplan has long been committed to recognized standards of good and responsible corporate management. The principles of corporate governance are for implementing responsible leadership and control of business undertakings with a view to long-term value enhancement. Respect for shareholders' interests, efficient cooperation between Executive Board and Supervisory Board and open and transparent corporate communications are especially important to syskoplan AG.

With the attention of these principles syskoplan would like to confirm the confidence shown in the company by customers, employees and shareholders. These principles undergo continuous further development.

1. Declaration of Conformity with the German Corporate Governance Code

The Executive Board and the Supervisory Board issued the following declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG) on December 05, 2006:

"The Executive Board and the Supervisory Board of syskoplan AG declare that syskoplan AG has followed or follows the recommendations of the government commission on the German Corporate Governance Code published by the German government on November 26, 2002, in the official part of the electronic Federal Gazette, version dated June 12, 2006, and published on June 24, 2006, subject to the following limitations:

The D&O insurance policies taken out by syskoplan AG on behalf of Executive Board and Supervisory Board members do not provide for any deductible (point 3.8 of the code). The Executive Board and the Supervisory Board take the view that no increase in the care with

which business decisions are made is to be expected from the agreement of a deductible.

The stock option plan adopted by syskoplan in 2000 does not include any reference parameters (point 4.2.3). However, it does include an exercise barrier relating to the syskoplan share price. The final tranche under this plan was issued in 2004. The Executive Board and the Supervisory Board take the view that it makes sense to allow this plan to run its course unaltered.

The share option plan adopted by syskoplan AG in 2000 does not include any possibility of a value limitation to take account of extraordinary developments (point 4.2.3). Until 2003, board members of syskoplan AG received the same number of options as other executives. The Executive Board did not take out any share options in 2004. Besides, the absolute number of options granted is strictly limited. The Executive Board and the Supervisory Board therefore take the view that no further limitation in terms of value is necessary.

Executive Board and Supervisory Board do not regard the publication of candidate suggestions on the Supervisory Board chairmanship (number 5.4.3) in the run-up to an election as useful. The suitability of the candidates suggested to the general meeting for election to the Supervisory Board should generally be carried out carefully and independently of another duty perhaps to be assumed. Apart from that the Supervisory Board is authorized to elect the chairman from its middle by the statute decided on by the general meeting.

5. The remuneration of members of syskoplan AG's Supervisory Board does not include a remuneration component to take account of membership of sub-committees since no such committees were set up. Nor does the remuneration of syskoplan AG's Supervisory Board include a variable component geared to the economic position and performance of syskoplan AG (point 5.4.5 of the code). The Executive Board and the

Supervisory Board take the view that no increase in the efficiency of the Supervisory Board's work is to be expected from agreeing remuneration components of this kind.

The Executive Board and Supervisory Board further declare that syskoplan AG anticipates its compliance with the recommendations of the Governmental Commission on the German Corporate Governance Code as dated June 12, 2006 and published by the Federal Justice Ministry in the official section of the electronic Federal Gazette on July 24, 2006, with the same exceptions."

2. German Corporate Governance Code Suggestions

syskoplan AG also follows the suggestions in the Corporate Governance Code, with three exceptions. These are the online broadcasting of the General Meeting, which is not undertaken at present, and the remuneration of the Executive Board and the Supervisory Board. The remuneration rules of syskoplan AG do not provide for a performance-related component based on long-term company performance for members of the Executive Board and the Supervisory Board.

3. Remuneration report ¹

The Supervisory Board is responsible for concluding contracts with the Executive Board members and therefore setting their remuneration. The Supervisory Board's remuneration is based on the articles of incorporation and is set by the Annual General Meeting.

3.1 Executive Board Remuneration

The Executive Board's remuneration is geared to responsibilities and performance. It comprises three com-

ponents: a fixed remuneration, a variable bonus and a pension package. The ratio of fixed remuneration to bonus is roughly 80:20, with the variable component being linked to the achievement of target earnings at Group level (EBT adjusted for special effects and external shareholders' interests). The fixed remuneration is paid in the form of a monthly salary. If applicable, an installment of the variable component is paid in November. Any remaining amounts are paid at the beginning of the new year after the financial statements have been drawn up. The Executive Board has received no share-based remuneration since 2004.

In addition to a pension entitlement and accident insurance, Executive Board members receive benefits in kind such as the use of company cars. The company also insures Executive Board members against civil and criminal claims in connection with the performance of their function (up to a maximum of EUR 10.2 million) and assumes responsibility for the costs of legal defense in connection with such a claim and any taxes payable on those costs.

Remuneration paid to the Executive Board members in the 2006 financial year amounted to EUR 1,190.3 thousand. The amounts paid to individual Board members are listed in the table below. Please note that Dott. Angelucci joined the Executive Board in the course of the year and that he dedicates 80% of his working hours to syskoplan. He spends the rest of his time on tasks within the Reply S.p.A. network.

¹ The remuneration report as printed here is an integral part of the consolidated management report and was audited by the auditor.

Executive Board Remuneration in 2006

in Euro thsd., Options in units	Fixed sum	Bonus	Benefits in kind	Total	Options	Annual pen- sion entitle- ment**)	Change in pension reserves
Dr. Manfred Wassel	478	63	17	558	0	65	35
Dott. Daniele Angelucci*)	104	16	4	124	0	0	0
Dr. Jochen Meier	422	56	29	508	0	46	16
Total	1,005	135	51	1,190	0	111	51

*) Payments to Dott. Angelucci began in September 2006.

**) These pension entitlements become payable at the age of 65.

For the purpose of comparison, the figures for the 2005 financial year were as follows:

in Euro thsd., Options in units	Fixed sum	Bonus	Benefits in kind	Total	Options	Annual pen- sion entitle- ment**)	Change in pension reserves
Dr. Manfred Wassel	466	60	15	541	0	65	20
Dr. Jochen Meier	412	53	29	494	0	46	8
Total	878	113	44	1,035	0	111	28

The company does not pay social security contributions for members of the Executive Board. No loans or advances were granted to Executive Board members in the year under review.

Dr. Wassel and Dr. Meier were last allotted share options in the 2003 financial year under the syskoplan AG share option plan. Both of them still hold

options issued at that time at the conditions listed below:

Options Held by the Executive Board

	Year of issue	Number	Exercise price	Expiry date
Dr. Manfred Wassel	2000	500	26.40	10.05. 2007
	2001	624	21.16	04.12.2008
	2002	300	22.08	04.22.2009
	2003	300	6.71	04.24.2010
	Total	1,724		
Dr. Jochen Meier	2000	500	26.40	10.05.2007
	2001	624	21.16	04.12.2008
	2002	300	22.08	04.22.2009
	2003	300	6.71	04.24.2010
	Total	1,724		
Exercise price in euros	Total	1,724		

Due to the way in which the syskoplan share price has developed in the past years, only the options issued in 2003 are valuable.

Dr. Wassel and Dr. Meier are entitled to further payments should their employment cease. Should Dr. Wassel's contract – which runs until 12.31.2009 – not be extended at today's conditions for reasons beyond Dr. Wassel's control, Dr. Wassel is entitled to 65% of the total remuneration (including fixed and variable components) he received in the last 5 years. This compensation increases by 5% for each additional 5 years after 1.1.2010.

Should Dr. Meier's contract – which runs until 12.31.2009 – not be extended at today's conditions for reasons beyond Dr. Meier's control, Dr. Meier is entitled to 45% of the total remuneration (including fixed and variable components) he received in the last 5 years. This compensation increases by 5% for each additional 5 years after 1.1.2010.

3.2 Supervisory Board Remuneration

In line with § 9 of the articles of incorporation, in addition to the reimbursement of expenses incurred in connection with attending Supervisory Board meetings, members of the Supervisory Board receive a fixed remuneration of EUR 10,000 per full financial year. The Supervisory Board Chairman receives twice this amount and his deputy receives one and a half times this amount.

In addition, the company insures the Supervisory Board members against civil and criminal claims in connection with the performance of their function as board members (up to a maximum of EUR 10.2 million) and assumes responsibility for the costs of legal defense in connection with such a claim and any taxes payable on those costs. Supervisory Board members do not receive share options under the existing option plan.

No loans or advances were granted to members of the Supervisory Board in the year under review.

Supervisory Board Remuneration	2006	2005
Dott. Mario Rizzante, member since 2.16.2006, Chairman since 5.24.2006	16	-
Dr. Niels Eskelson, Chairman until 5.24.2006, Deputy Chairman since 5.24.2006	17	20
Dr. Klaus Weigel, Deputy Chairman until 1.9.2006	1	15
Dr. Stefan Duhnkrack, since 2.16.2006	9	-
Dott. Riccardo Lodigiani, since 2.16.2006	9	-
Dr. Peter Pagé, until 2.15.2006	1	10
Dott. Tatiana Rizzante, since 2.16.2006	9	-
Dr. Reinhard K. Sprenger, until 2.15.2006	1	10
Markus Wilhelm, until 2.15.2006	1	10
Dr. Gerd Wixforth	10	10
Total	73	75

All figures in Euro thsd.

4. Securities Held and Traded by Representatives of the Company

In financial year 2006 no members of the Executive Board, members of the Supervisory Board, other individuals with management responsibilities or their dependents informed the Company of the sale or purchase of syskoplan AG shares or of any financial in-

struments based on those shares with a total transaction value exceeding EUR 5,000 in the current financial year.

As of December 31, 2006 members of the Executive Board and Supervisory Board held the following shares and share options:

Corporate Body	Number	
	Shares	Options
Executive Board	2	3,448
Supervisory Board *)	2,684,104	0
*) of which 2,679,604 indirect attribution according to § 22 WpHG		

Further details are available in the notes to the consolidated financial statements under number 34.

5. Remunerations paid to the Members of the Supervisory Board

Unless as a remuneration of the office in the Supervisory Board, syskoplan AG has not paid any remunerations to the Supervisory Board members or granted

advantages in connection with services, particularly advisory and procurement services rendered personally.

We point out supplementarily that the Supervisory Board member Dr. Stefan Duhnkrack is a partner of Heuking Kühn Lüer Wojtek (HKLW) who is advising syskoplan AG and its subsidiaries in legal matters. The legal advisory services of HKLW used in the year 2006 did not fall in his office as a Supervisory Board member and have all been approved by the Supervisory Board.

Legal advisory services in his office as a Supervisory Board member of syskoplan AG have not been charged by Dr. Duhnkrack.

6. syskoplan AG's Share Incentive Program

In the general meeting held on September 20, 2000, a share option plan for employees was adopted, of

which the final tranche was issued in 2004. A renewal of the share option plan is not currently planned. According to the terms of the plan in the year 2000, the final options will be exercisable up to 2011. Further details of the share option plan are available in the notes to the consolidated financial statements under number 32.



2.5 Consolidated Annual Financial Statements

Group Income Statement for Period of January 1, to December 31, 2006

All figures in Euro thsd.	Note	Financial Year		
		2006	2005	Change
Continued operations				
Revenues	(22)	45,227	40,334	12%
Cost of revenues	(23)	32,097	28,628	12%
Gross profit/loss from sales		13,130	11,706	12%
Selling and marketing expenses	(23)	5,226	4,356	20%
General administrative expenses	(23)	4,086	4,080	0%
Other operating income and expenses (+ = income)		336	282	19%
Operating income/loss		4,154	3,552	17%
Interest income		538	304	77%
Interest expenses		87	153	-44%
Other financial earnings (+ = expense)		7	1	> 100%
Financial earnings		444	150	> 100%
Result from continued operations before tax		4,598	3,702	24%
Income tax	(24)	1,877	1,331	41%
Result for the year before earnings allocations to limited partners		2,721	2,371	15%
Earnings to be allocated to limited partners of subsidiaries		582	621	-6%
Profit from continued operations after tax		2,139	1,750	22%
Discontinued operations				
Result from discontinued operations	(25)	68	-498	> 100%
Net profit/loss		2,207	1,252	76%
Of which to be allotted to shareholders of syskoplan AG		2,207	1,252	76%
Minority interests		0	0	
Earnings per share (Euro)				
from continued operations				
undiluted		0.48	0.42	16%
diluted		0.48	0.42	16%
From continued and discontinued operations				
undiluted		0.50	0.30	67%
diluted		0.50	0.30	67%
Weighted average shares				
undiluted		4,433,417	4,200,000	6%
diluted		4,444,461	4,200,000	6%

Group Balance Sheet on December 31, 2006

Assets (all figures in Euro thsd.)	Note	2006	2005	Change
Non-current assets				
Goodwill	(5)	6,408	0	
Other intangible assets	(6)	445	658	-32%
Property, plant and equipment	(6)	4,048	4,202	-4%
Financial assets	(7)	238	2,385	-90%
Deferred taxes	(8)	491	933	-47%
Total non-current assets		11,630	8,178	42%
Current assets				
Inventories		0	24	-100%
Trade accounts receivable and other assets	(9)	7,605	8,592	-11%
Securities held for trading purposes	(10)	900	0	
Cash at bank and cash in hand	(11)	19,049	20,003	-5%
Total current assets		27,554	28,619	-4%
Assets from discontinued operations	(25)	1,095	0	
Assets		40,279	36,797	9%

Liabilities	Note	2006	2005	Change
Equity capital				
Share capital	(12)	4,436	4,200	6%
Additional paid-in capital	(13)	17,152	15,242	13%
Surplus reserves	(14)	2,750	1,635	68%
Translation adjustment	(15)	0	-194	-100%
Treasury stock	(16)	-12	-15	17%
Equity held by shareholders in syskoplan AG		24,326	20,868	17%
Minority interest	(17)	45	24	88%
Total equity capital		24,371	20,892	17%
Shares of other shareholders in the limited liability capital of subsidiaries	(17)	3,565	3,612	-1%
Long-term debt				
Bank loans	(18)	1,627	1,828	-11%
Pension obligations	(19)	746	586	27%
Long-term provisions	(20)	318	332	-4%
Total long-term debt		2,691	2,746	-2%
Short-term debt				
Short-term provisions	(21)	5,182	3,478	49%
Tax liabilities		146	293	-50%
Bank overdrafts and bank loans	(18)	200	908	-78%
Trade accounts payable		493	3,087	-84%
Other liabilities		3,244	1,781	82%
Total short-term debt		9,265	9,547	-3%
Debt from discontinued operations	(25)	387	0	
Total debt		12,343	12,293	0%
Liabilities		40,279	36,797	9%

Statement of Cash Flows for Period of January 1, to December 31, 2006

All figures in Euro thsd.	1.1.-12.31.2006	1.1.-12.31.2005
Cash flow from operating activities		
Result for the year	2,207	1,252
Income tax	1,877	1,331
Result from discontinued operations	-68	498
Earnings to be allocated to limited partners of subsidiaries	582	621
Interest income	-444	-150
Operating income/loss	4,154	3,552
Depreciation on non-current assets	1,158	949
Other non-cash income	-7	101
Change in provisions	-254	764
Profit from the disposal of non-current assets	-2	4
Change in receivables and other assets	1,939	-2,347
Change in liabilities	-2,890	3,090
Interest payments made	-87	-153
Interest payments received	538	304
Income tax expenses	-905	-413
Net Cash flow from operating business of discontinued operations	-560	-554
Cash provided by operating activities	3,084	5,297

All figures in Euro thsd.	1.1.-12.31.2006	1.1.-12.31.2005
Cash flow from investment activities		
Outpayments for investments in tangible and intangible assets	-822	-807
Outpayments for investments in other financial assets	-187	-1,018
Outpayments for the acquisition of subsidiaries	-2,589	0
Inpayments from the sale of non-current assets	15	2
Net Cash flow from investment activities of discontinued operations	2,594	0
Cash flow from investment activities	-989	-1,823
Cash flow from financing activities		
Dividends paid to shareholders	-1,092	-1,092
Dividends paid to minority shareholders	-623	-755
Inpayments from the sale of treasury stock	170	61
Outpayments for the purchase of treasury stock	-88	-76
Other inpayments in capital reserve	145	0
Outpayments for the amortization of financial liabilities	-182	-153
Net Cash flow from financing activities of discontinued operations	-726	66
Cash flow from financing activities	-2,396	-1,949
Change in cash and cash equivalents	-301	1,525
Cash and cash equivalents at beginning of period	20,003	18,478
Cash and cash equivalents at end of period	19,702	20,003
Minus cash and cash equivalents in the assets of discontinued operations	-653	0
Cash and cash equivalents in balance sheet	19,049	20,003

Statement of Changes in Shareholders' Equity for the Financial Year as at December 31, 2006

All figures in Euro thsd.	Common stock	Capital reserve	Surplus reserves
Status as at 1.1.2005			
Original amount stated	4,200	15,141	3,143
Adjustment of previous reporting periods	0	0	-1,668
Status as at 1.1.2005 after adjustments	4,200	15,141	1,475
Differences from the currency conversion of foreign subsidiaries' financial statements directly booked to equity	0	0	0
Result for the year	0	0	1,252
Total result of the period	0	0	1,252
Expenses from honoring share options included in the profit and loss statement	0	101	0
Dividends	0	0	-1,092
Purchasing treasury stock	0	0	0
Status as at 1.1.2006 after adjustments	4,200	15,242	1,635
Differences from the currency conversion of foreign subsidiaries' financial statements directly booked to equity	0	0	0
Result for the year	0	0	2,207
Total result of the period	0	0	2,207
Expenses from honoring share options included in the profit and loss statement	0	22	0
Dividends	0	0	-1,092
Issuing of new shares	236	1,743	0
Changes to the consolidated group	0	0	0
Sale of own shares	0	0	0
Other changes	0	145	0
Status as at 12.31.2006	4,436	17,152	2,750

Translation adjustment	Treasury stock	Equity held by shareholders in syskoplan AG	Minority interest	Total shareholders' equity
-296	-7	22,181	2,249	24,430
0	0	-1,668	-2,225	-3,893
-296	-7	20,513	24	20,537
102	0	102	0	102
0	0	1,252	0	1,252
102	0	1,354	0	1,354
0	0	101	0	101
0	0	-1,092	0	-1,092
0	-8	-8	0	-8
-194	-15	20,868	24	20,892
194	0	194	0	194
0	0	2,207	0	2,207
194	0	2,401	0	2,401
0	0	22	0	22
0	0	-1,092	0	-1,092
0	0	1,979	0	1,979
0	0	0	21	21
0	3	3	0	3
0	0	145	0	145
0	-12	24,326	45	24,371

Statement of non-current Asset Movements in Financial Year 2006

Acquisition or production costs

A. Financial Year 2006 All figures in Euro thsd.	01.01.2006	Additions due to Acquisition of subsidiaries
I. Goodwill	1,509	6,408
II. Other intangible assets		
1. Acquired Software	2,749	7
2. Self-provided software	2,535	0
	5,284	7
III. Tangible assets		
1. Land and buildings	4,011	0
2. Other plant and equipment	4,737	63
	8,748	63
IV. Financial assets		
1. Shares in subsidiary undertakings	1,989	-662
2. Other financial assets	46	0
3. Other lendings	350	-350
	2,385	-1,012
V. Total non-current assets	17,926	5,466

B. Financial Year 2005 All figures in Euro thsd.	01.01.2005	Additions due to Acquisition of subsidiaries
I. Goodwill	1,509	0
II. Other intangible assets		
1. Acquired Software	2,521	0
2. Self-provided software	2,307	0
	4,828	0
III. Tangible assets		
1. Land and buildings	4,011	0
2. Other plant and equipment	4,462	0
	8,473	0
IV. Financial assets		
1. Shares in subsidiary undertakings	1,147	0
2. Other financial assets	45	0
3. Other lendings	0	0
	1,192	0
V. Total non-current assets	16,002	0

Book transfers to discontinued operations	Additions	Disposals	12.31.2006
0	0	0	7,917
0	374	551	2,579
-505	78	23	2,085
-505	452	574	4,664
0	0	0	4,011
-430	370	982	3,758
-430	370	982	7,769
-1,322	0	0	5
0	177	0	223
0	10	0	10
-1,322	187	0	238
-2,257	1,009	1,556	20,588

Translation adjustment	Additions	Disposals	12.31.2005
0	0	0	1,509
0	234	6	2,749
48	180	0	2,535
48	414	6	5,284
0	0	0	4,011
12	393	130	4,737
12	393	130	8,748
175	667	0	1,989
0	1	0	46
0	350	0	350
175	1,018	0	2,385
235	1,825	136	17,926

Statement of non-current Asset Movements in Financial Year 2006 (2)

Accumulated Depreciation

A. Financial Year 2006 All figures in Euro thsd.	01.01.2006	Book transfers to discontinued operations
I. Goodwill	1,509	0
II. Other intangible assets		
1. Acquired Software	2,380	0
2. Self-provided software	2,246	-489
	4,626	-489
III. Tangible assets		
1. Land and buildings	694	0
2. Other plant and equipment	3,852	-358
	4,546	-358
IV. Financial assets		
1. Shares in subsidiary undertakings	0	0
2. Other financial assets	0	0
3. Other lendings	0	0
	0	0
V. Total non-current assets	10,681	-847

B. Financial Year 2005 All figures in Euro thsd.	01.01.2005	Translation adjustments
I. Goodwill	1,509	0
II. Other intangible assets		
1. Acquired Software	2,066	0
2. Self-provided software	1,935	41
	4,001	41
III. Tangible assets		
1. Land and buildings	553	0
2. Other plant and equipment	3,663	0
	4,216	0
IV. Financial assets		
1. Shares in subsidiary undertakings	0	0
2. Other financial assets	0	0
3. Other lendings	0	0
	0	0
V. Total non-current assets	9,726	41

Depreciations of financial year	Disposals	12.31.2006
0	0	1,509
341	539	2,182
303	23	2,037
644	562	4,219
141	0	835
373	981	2,886
514	981	3,721
0	0	0
0	0	0
0	0	0
0	0	0
1,158	1,543	9,449

Depreciations of financial year	Disposals	12.31.2005
0	0	1,509
320	6	2,380
270	0	2,246
590	6	4,626
141	0	694
315	126	3,852
456	126	4,546
0	0	0
0	0	0
0	0	0
0	0	0
1,046	132	10,681

Statement of non-current Asset Movements in Financial Year 2006 (3)

Book Value

A. Financial Year 2006 All figures in Euro thsd.	12.31.2006	01.01.2006
I. Goodwill	6,408	0
II. Other intangible assets		
1. Acquired Software	397	369
2. Self-provided software	48	289
	445	658
III. Tangible assets		
1. Land and buildings	3,176	3,317
2. Other plant and equipment	872	885
	4,048	4,202
IV. Financial assets	5	1,989
1. Shares in subsidiary undertakings	223	46
2. Other financial assets	10	350
3. Other lendings	238	2,385
	11,139	7,245
B. Financial Year 2005 All figures in Euro thsd.	12.31.2005	01.01.2005
I. Goodwill	0	0
II. Other intangible assets		
1. Acquired Software	369	455
2. Self-provided software	289	372
	658	827
III. Tangible assets		
1. Land and buildings	3,317	3,458
2. Other plant and equipment	885	799
	4,202	4,257
IV. Financial assets	1,989	1,147
1. Shares in subsidiary undertakings	46	45
2. Other financial assets	350	0
3. Other lendings	2,385	1,192
	7,245	6,276



Quarterly Group Income Statement for Period of January 1, to December 31, 2006

All figures in Euro thsd.	Note	1. Quarter			2. Quarter		
		2006	2005	Change	2006	2005	Change
Continued operations							
Revenues	(22)	10,398	9,392	11%	12,073	10,697	13%
Cost of revenues	(23)	7,475	6,768	10%	8,693	7,299	19%
Gross profit/loss from sales		2,924	2,624	11%	3,380	3,398	-1%
Selling and marketing expenses	(23)	1,138	1,023	11%	1,423	1,111	28%
General administrative expenses	(23)	915	1,050	-13%	1,113	1,184	-6%
Other operating income and expenses (+ = income)		95	66	45%	203	5	> 100%
Operating income/loss		965	618	56%	1,047	1,108	-5%
Interest income		103	82	25%	106	71	50%
Interest expenses		21	32	-34%	22	31	-28%
Other financial earnings (+ = expense)		-3	-4	-20%	0	-3	> 100%
Financial earnings		85	55	56%	84	43	93%
Result from continued operations before tax		1,051	673	56%	1,131	1,151	-2%
Income tax	(24)	374	238	57%	479	414	16%
Result for the year before earnings allocations to limited partners		676	435	55%	652	737	-12%
Earnings to be allocated to limited partners of subsidiaries		151	132	15%	72	152	-53%
Profit from continued operations after tax		526	303	73%	580	584	-1%
Discontinued operations							
Result from discontinued operations	(25)	233	21	> 100%	32	-131	> 100%
Net profit/loss		759	324	> 100%	612	454	35%
Of which to be allotted to shareholders of syskoplan AG		759	324	> 100%	612	454	35%
Minority interests		0	0		0	0	
Earnings per share (Euro)							
from continued operations							
undiluted		0.12	0.07	64%	0.13	0.14	-6%
diluted		0.12	0.07	64%	0.13	0.14	-6%
From continued and discontinued operations							
undiluted		0.17	0.08	> 100%	0.14	0.11	28%
diluted		0.17	0.08	> 100%	0.14	0.11	27%
Weighted average shares							
undiluted		4,427,420	4,200,000	5%	4,435,316	4,200,000	6%
diluted		4,442,711	4,200,000	6%	4,450,607	4,200,000	6%

This presentation of the individual quarters is an additional service for our readers; it is based on the reviewed quarterly reports but has not been audited by the auditor, however.

3. Quarter			4. Quarter			Financial Year		
2006	2005	Change	2006	2005	Change	2006	2005	Change
11,480	9,837	17%	11,276	10,409	8%	45,227	40,334	12%
8,019	6,807	18%	7,910	7,755	2%	32,097	28,628	12%
3,461	3,030	14%	3,367	2,654	27%	13,130	11,706	12%
1,248	1,108	13%	1,416	1,116	27%	5,226	4,356	20%
1,016	924	10%	1,042	922	13%	4,086	4,080	0%
63	92	-32%	-26	119	< -100%	336	282	19%
1,260	1,090	16%	882	736	20%	4,154	3,552	17%
118	66	79%	211	85	> 100%	538	304	77%
20	29	-30%	23	62	-63%	87	154	-44%
2	-2	> 100%	8	10	-13%	7	1	> 100%
96	39	> 100%	180	13	> 100%	444	150	> 100%
1,356	1,129	20%	1,061	749	42%	4,599	3,701	24%
531	412	29%	493	266	85%	1,877	1,331	41%
825	716	15%	570	482	18%	2,722	2,370	15%
216	192	13%	145	146	-1%	583	621	-6%
610	525	16%	424	337	26%	2,139	1,749	22%
-16	-225	93%	-181	-162	-12%	68	-498	> 100%
594	299	98%	243	175	39%	2,207	1,252	76%
594	299	98%	243	175	39%	2,207	1,252	76%
0	0		0	0		0	0	
0.14	0.12	10%	0.10	0.08	19%	0.48	0.42	16%
0.14	0.12	10%	0.10	0.08	19%	0.48	0.42	16%
0.13	0.07	88%	0.05	0.04	32%	0.50	0.30	67%
0.13	0.07	88%	0.05	0.04	32%	0.50	0.30	67%
4,435,316	4,200,000	6%	4,435,316	4,200,000	6%	4,433,417	4,200,000	6%
4,437,676	4,200,000	6%	4,437,676	4,200,000	6%	4,444,461	4,200,000	6%

2.6 Notes to the Consolidated Annual Financial Statements for 2006

General Information

syskoplan AG was founded in 1983 and has been listed on the Frankfurt Stock Exchange since November 2000. The renowned software integrator and consulting partner primarily works for major companies and sector leaders in Germany, carrying out software projects focusing on holistic solutions for customer-centric management. syskoplan AG customers can set themselves apart from the competition by means of one-to-one customer relationships. syskoplan provides IT support for CRM-based processes by refining, complementing and integrating standard software.

syskoplan is building up a network of best-in-class companies by acquiring external firms but also by conducting internal re-alignment to establish small specialist units.

syskoplan's network of companies currently encompasses these subsidiaries with the following special functions:

- + cm4 provides IT project services and products for the development of solutions for the direct marketing, media and mail-order sectors.
- + is4 implements software solutions for the consumer goods industry and for IT providers. In addition, services for computer centers are offered irrespective of sector.
- + macrosInnovation offers productivity-boosting IT solutions for workflows at banks and insurance companies. These solutions link document and knowledge management with rule-based process management.
- + Interactiv develops mobile services and applications commissioned by clients. In future, Interactiv will also step up its activities as a service provider in the field of mobile applications and business processes.
- + discovery sysko supports broadcasting and media companies in the process of digitalization by offering consulting services and digital technologies for efficiently managing digital content throughout its entire life cycle.
- + Acquired in early 2007, Xuccess specializes in regulatory reporting (e.g. Basel II) for credit institutes. The company also offers IT consultancy in the Microsoft environment as a Gold Certified Partner.

As the parent company, syskoplan AG produces consolidated financial statements. The consolidated financial statements as at December 31, 2006, were drawn up in line with § 315a of the German Commercial Code (HGB) in connection with EU Regulation 1606/2002 dated July 19, 2002. They therefore comply with the International Financial Reporting Standards (IFRS) valid on the balance sheet date which have been adopted by the EU.

syskoplan AG itself is included in the group statements of the majority shareholder of Reply S.p.A., Turin, Italy. The group statements of Reply S.p.A. are published and filed in the Registro delle Imprese di Torino under the number 97579210010 partita I.V.A. 08013390011. The group statements for the biggest circle of enterprises are built by Alike s.r.l., Turin, Italy. The group statements of Alike s.r.l. are filed in the Registro delle Imprese di Torino under the number 07011510018.

The consolidated financial statements are in euros. All figures are in Euro thsd.

Accounting and Valuation Methods

The accounting and valuation methods used in the consolidated financial statements are listed below.

1. Presentation of the Accounting and Valuation Methods

1.1 *The Consolidated Entity*

The consolidated financial statements incorporate financial statements for the parent company and those firms controlled by the company (its subsidiaries) via full consolidation.

When the majority of a company is acquired, the assets and debts of the subsidiaries in question are evaluated at their current market value at the time of acquisition. If the acquisition costs exceed the current market value of the identifiable assets minus debts transferred, the difference is entered as goodwill. Any negative difference between the cost of acquiring the company and the identifiable assets and debts transferred (i.e. a discount on acquisition) is recorded in the acquisition period with an effect on earnings. The shares held by minority shareholders are reported at the portion of the current market value of the identified assets and debts proportionate to the minority interest. Finally, any losses which are assignable to the minority interest but exceed the minority interest are offset directly against the shares held by the parent company.

For incorporated firms, minority shares of fully consolidated limited liability companies are reported separately as part of equity capital. Shares held by limited partners in the subsidiaries outside the Group are recorded at their fair value under shares of other shareholders in the limited liability capital of subsidiaries.

The results of subsidiaries which have been acquired or disposed of in the course of the year are included in the consolidated profit and loss account as of the date they were effectively acquired or until such time as they were effectively disposed of.

If necessary, the subsidiaries' annual financial statements are adjusted in line with the accounting and valuation methods used by the Group.

All inter-company receivables, debts and intermediate results within the Group are eliminated in the course of consolidation.

1.2 *Goodwill*

The reported goodwill is the result of company mergers which occurred after 3.31.2004. In line with IFRS 3.54, they are recorded at acquisition cost minus all accumulated expenses which impair their value. Scheduled depreciation does not apply. In the 2006 financial year, there were no expenses which impaired value. As per IAS 36.124, any value impairments are not reversed if the reasons for them later become obsolete.

In the 2006 financial year, the reported goodwill figures were subject to an impairment test based on the use value. These use values were based on the following fundamental assumptions:

The cash flow prognoses were based on the current business plans of the units to be valued. These were available in detail covering at least 3 coming years for companies being founded or recently acquired firms. Other units which have belonged to the Group for a longer period are subject to the *syskoplan* Group's annual budget planning. For such companies, plans were available for the 2007 financial year.

For further financial years for which no detailed plans were available, annual further sales increases were projected based on the individual situation of the company in question (market potential, intensity of competition, the company's competitive position, etc.). Similarly, suppositions were made concerning the development of each company's operating margin (EBIT margin) which take account of its individual situation and business prospects. The companies' projected business results were converted into after-tax figures using their individual tax rates. Depending on the company's location, tax rates of 38% to 42% were used.

An average cost of capital of 8.9% was discounted from the expected cash flows. This cost of capital figure takes account of syskoplan's specific situation (very little borrowing, consulting sector, listed on the stock exchange, correlation with the overall equity market).

Assessing the value of goodwill is associated with uncertainty.

1.3 Profit Recognition

The revenue from the provision of services is getting profit effective with the delivery of the services. Sales revenues are assessed at the current market value of the counter-performance received or to be received. Reductions, income tax and other taxes associated with sales are to be deducted from this figure.

Revenues are recognized in accordance with the percentage of completion method when delivery has taken place consistent with the contractual terms and payment by the client is expected. The percentage of completion is determined by comparing the work completed by the balance sheet date with the full extent of the work to be completed.

Other income is recorded when it is sufficiently probable that the company will benefit economically from the transaction and the amount of such income can be reliably determined. Interest income is reported using the effective yield rate.

1.4 Leasing Relationships

Leasing relationships are classified as finance leases when the conditions of the lease transfer all the risks and rewards associated with the property to the lessee. All other leasing relationships are classified as operating leases.

In the year under review, syskoplan only had operating leases. Payments made for operating leases are set off against the result for the current period using the straight-line method for the duration of the lease in question.

1.5 Foreign Currencies

The Euro is deemed to be the functional currency for all European Group companies.

The functional currency of the US Group companies is the US dollar. This is converted into the reporting currency, the Euro. Equity capital is translated at historic cost, balance sheet items at balance sheet date prices, and profit and loss account items are converted at average prices for the year. Until the previous year, any differences were recorded neutral to earnings under equity capital. In the year under review, the syskoplan Group ceased its US activities. As a consequence, currency translation differences which were previously recorded neutral to earnings under equity capital were realized in line with IAS 21.48 ff.

Transactions which a Group company concludes in a currency other than its functional currency are initially converted to the functional currency using the spot rate on the day of the transaction and reported in the balance sheet. On each subsequent balance sheet cut-off date, monetary entries originally in a currency other than the

functional currency are valued at the current price. The resulting currency rate differences are recorded as affecting net income.

1.6 *Costs for Pension Schemes*

Pension reserves are accrued using the projected unit credit method in line with IAS 19.64 ff. On each balance sheet date, an actuarial valuation is completed. Actuarial profits and losses are divided among the employees covered by the scheme using the corridor method, taking into account the average expected remaining working life.

The recorded amount represents the present value of the defined-benefit obligations after they have been offset against the current market value of the plan assets.

The pension obligations are largely reinsured. These reinsurance policies should be regarded as qualifying reinsurance as defined in IAS 19.7; their current market value has been balanced out with the reported obligations as plan assets for the first time. The previous year's figures have been adjusted accordingly. Please see note (3).

1.7 *Income Tax*

Income tax expenses are the sum of the current tax expenses and deferred taxes.

Current tax expenses are calculated on the basis of the annual income on which tax is payable. Taxable income differs from the net profit recorded in the profit and loss account because this does not take into consideration expenses and earnings which become taxable in subsequent years, remain exempt, or are tax-deductible.

Deferred taxes are calculated on the basis of the tax rates which apply in the various countries at the time of realization or the rates which are anticipated.

Deferred taxes are the expected tax expenses or tax benefits resulting from the difference between the book values of the assets and debts in the annual financial statements and the amount stated when calculating the taxable income.

In line with the balance sheet-oriented liability method, deferred taxes are accrued on temporary differences between the amounts reported in the consolidated financial statements and the tax valuations. Furthermore, deferred taxes are capitalized on tax loss carryovers if these are likely to be used.

The book value of deferred taxes is verified on the cut-off date each year and reduced if it is no longer probable that sufficient taxable income will be available to recoup the claim either in full or in part.

Deferred taxes are recorded with an effect on net income with the exception of positions which are entered straight into equity capital.

1.8 Tangible Fixed Assets

Tangible assets are reported at acquisition cost minus scheduled straight-line depreciation and reductions in value. Subsequent acquisition costs are capitalized. Maintenance costs are recorded as expenses. Financing costs are not capitalized.

The periods of depreciation reflect the assets' expected useful life – between 5 and 10 years for company equipment and 25 years for the building in Bartholomäusweg, Gütersloh.

1.9 Self-Constructed Intangible Assets

A self-constructed intangible asset is only capitalized if all of the following conditions are fulfilled:

- + The asset created is identifiable (own software).
- + It is probable that the constructed asset will bring economic benefits in the future.
- + The development costs of the asset can be reliably determined.

Self-constructed intangible assets are capitalized at manufacturing cost and subject to scheduled depreciation using the straight-line method. Manufacturing costs include directly attributable personnel and material costs. All intangible assets carried on the books have a finite useful life; the period of depreciation is always three years.

1.10 Intangible Assets Acquired against Payment

Intangible assets acquired against payment are reported at the cost of acquisition minus scheduled straight-line depreciation and reductions in value.

1.11 Impairment in Value of Tangible and Intangible Assets Other than Goodwill

On each balance sheet cut-off date, the book value of tangible and intangible assets is verified in order to establish whether there is anything to suggest an impairment in the value of these assets. If such indicators are present, the recoverable amount of the asset is estimated in order to ascertain the extent of any impairment in value.

The recoverable amount is either the current market value minus disposal costs or the use value, whichever is greater. When calculating the use value, the projected future cash flows are reduced by the current input tax rate which reflects any risks specific to the asset that are not taken into account in the cash flows. The result is the present value.

If the estimated recoverable amount for an asset exceeds the book value, the book value for the asset is reduced to the recoverable amount. The impairment in value is recorded with an immediate effect on net income.

Should the value later recover, the book value of the asset (or cash-generating unit) is increased to the new estimated recoverable amount. The book value may not increase above the value which would have been determined had the value of the asset (or cash-generating unit) not been impaired in previous years. Any write-up in value is recorded with an immediate effect on net income.

1.12 Financial Assets

Financial assets include securities held as fixed assets, lendings and unconsolidated holdings. Securities are shown at their current value; changes in value are recorded with an effect on net income. Unconsolidated holdings are carried at acquisition cost because there is no active market. There is no significant influence in the case of holdings. Lendings are recorded at their acquisition cost (nominal value).

1.13 Trade Receivables and other Assets

Trade receivables and other assets were entered at net book value. Adjustments were made for dubious accounts. Receivables in foreign currencies were converted using the exchange rate on the balance sheet date.

Trade receivables also include work in progress from fixed-price projects. This is valued in accordance with the degree of completion on the balance sheet date. This is calculated by comparing the work completed with the full extent of the work to be completed unless this would distort the way in which the level of progress is presented. Partial payments received by the balance sheet cut-off date are netted out with the work in progress. Fixed price orders with an adverse balance are recorded in the other liabilities.

1.14 Securities

Securities are valued at acquisition cost, including transaction costs, when they are acquired. The profits and losses resulting from changes in the current market are recorded in the result for the current period affecting net income.

1.15 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, current accounts and fixed-term deposits with terms of up to 90 days. They are recorded at their nominal value. Positions in foreign currencies are valued using the exchange rate on the balance sheet date.

1.16 Loans

Interest-bearing bank loans and overdraft facilities are carried at the amount paid out minus directly attributable expenses. Financing costs – including premiums payable on repayment – are reported on an accrual basis using the effective interest rate method and have an effect on net income. They increase the instrument's book value if they are not settled at the time when they arise.

1.17 Liabilities

No interest is accrued on liabilities. They are reported at their repayment sum. Liabilities in foreign currencies are valued at the exchange rate on the balance sheet date.

1.18 Provisions

Provisions are made for legal or de facto obligations based in the past, if it is likely that fulfilling these obligations will lead to an expenditure of Group resources and a reliable estimate of the amount of the obligation can be made. They are entered at the probable cost of settlement (best estimate).

1.19 Share-Based Remuneration

Under IFRS 2, share options for all plans granted after 11.7.2002 and not exercisable as of 1.1.2005 are to be recorded as an expense. The option value (fair value) is to be divided pro rata temporis over the lock-up period. Personnel expenses are booked to capital reserves. Deferred taxes are therefore not taken into account, as the differences are permanent. This affects the fourth and fifth tranches of syskoplan's share option plan for 2003 and 2004. In 2006, expenses of EUR 22 thousand (previous year: EUR 101 thousand) were recorded for share options. In future financial years, no further personnel expenses will arise from the share options issued.

2. Change in Accounting and Valuation Methods

The following standards and interpretations were observed for the first time when drawing up the consolidated financial statements of syskoplan AG as at 12.31.2006:

- + Amendment to IAS 19 Actuarial Gains and Losses (EU-VO 1910/2005)
- + Amendment to IAS 21 Net Investment in a Foreign Operation (EU-VO 708/2006)
- + Amendment to IAS 39 Cash Flow Hedge of Forecast Intragroup Transactions (EU-VO 2106/2005)
- + Amendment to IAS 39 The Fair Value Option (EU-VO 1864/2005)
- + Amendment to IAS 39 and IFRS 4 Financial Guarantee Contracts (EU-VO 108/2006)
- + IFRIC 4 Determining whether an Arrangement contains a Lease (EU-VO 1910/2005)

The first-time observation of these standards and interpretations had no effect on the presentation of the annual financial statements, either because syskoplan continued to use its previous accounting and valuation methods or because they did not apply to syskoplan AG.

The following standards and interpretations have been published and were adopted by the European Union by December 31, 2006, but they have not yet come into effect. They were not observed in these financial statements (the numbers of the Commission Regulations [EC] are in parentheses):

- + Amendment to IAS 1 Capital Disclosures (EU-VO 108/2006)
- + IFRS 7 Financial Instruments: Disclosures (EU-VO 108/2006)
- + IFRIC 8 Scope of IFRS 2 (EU-VO 1329/2006)
- + IFRIC 9 Reassessment of Embedded Derivatives (EU-VO 1329/2006)

These new standards and interpretations, which are compulsory as of January 1, 2007, are not expected to have any effect on the consolidated financial statements of syskoplan AG as regards the Group's asset, financial and earnings position in the period in which they are first applied.

3. Corrections to Errors in the Previous Year as per IAS 8

Presentation of the following aspects in the consolidated financial statements of syskoplan AG as at 12.31.2006 deviated from that in the previous year. The comparative figures for the previous year were adjusted accordingly:

According to IAS 32 the shares held by limited partners outside the Group in is4 GmbH & Co. KG are no longer shown as part of equity capital, but under shares held in the limited liability capital of subsidiaries by other shareholders. Valuation is conducted at the fair value, which was EUR 3,013 thousand as at 1.1.2005. Due to the change, surplus reserves fell by EUR 1,519 thousand. There were no changes in the fair value between 1.1.2005 and 12.31.2006 because of the according to plan development of is4 GmbH & Co. KG, meaning that no adjustment of the previous year's result was necessary in the course of the error corrections.

The shares held by limited partners outside the Group in is4 GmbH & Co. KG are recorded in the profit and loss accounts with an effect on net income and reduce (profit) or increase (loss) the consolidated net income.

Reserves must be accrued for anniversary bonuses as per IAS 19.7 (2004). As several Group companies have made bonus commitments, appropriate reserves totaling EUR 238 thousand were accrued retrospectively as at 1.1.2005. This amount has therefore been deducted from the surplus reserves. The change in these reserves was recorded with an effect on net income in 2005 (EUR 5 thousand) and in 2006 (EUR 13 thousand).

Pension obligations are largely reinsured. The reinsurance policies qualify as plan assets as defined in IAS 19.7 (2004); they have therefore been balanced out with the pension reserves (IAS 19.54 [2004]). Following the changes, the statement is as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Pension reserves	2,789	2,477
Reinsurance claims	-2,043	-1,891

The above error corrections had no effect on EPS.

The Consolidated Entity and Company Acquisitions

4. The Consolidated Entity

Five companies were added to the consolidated entity in the reporting year, taking the total to fourteen:

	Share in %	Currency	Equity capital 12.31.2006	Profit/loss in 2006
syskoplan AG, Gütersloh				
syskotool GmbH, Gütersloh	100	Euro thsd.	356	48
syskoplan Limited, Cork	100	Euro thsd.	10	0
syskoplan Consulting Inc., Delaware	100	Euro thsd.	-1,780	-889
syskoplan Holdings Inc., Delaware	100	Euro thsd.	2,463	1,362
cm4 GmbH & Co. KG, Gütersloh	100	Euro thsd.	1,126	226
cm4 Verwaltungs-GmbH, Gütersloh	100	Euro thsd.	-1	-1
is4 GmbH & Co. KG, Minden	51	Euro thsd.	4,079	1,174
is4 Verwaltungs-GmbH, Minden	51	Euro thsd.	63	3
macroInnovation GmbH, Munich	100	Euro thsd.	1,477	952 *
macroSolution GmbH, Munich	74.9	Euro thsd.	11	-3 *
Interactiv GmbH & Co. KG, Cologne	85.1	Euro thsd.	-125	-752 *
Interactiv GmbH, Cologne	37.2	Euro thsd.	25	0 *
Discovery sysko GmbH	100	Euro thsd.	25	0

* The HBI (HGB result) is shown for these companies as they were first included in the consolidated financial statements in the course of the year. The HBII (IFRS) result is shown for all other companies.

The following companies were first consolidated in 2006:

- + macroInnovation GmbH
- + macroSolution GmbH
- + Interactiv GmbH & Co. KG
- + Interactiv GmbH
- + discovery sysko GmbH

5. Details of the Companies Acquired in the Year under Review as per IFRS 3:

On April 5, 2006, syskoplan AG acquired 100% of the shares in macroInnovation GmbH, Munich. Since then, macroInnovation GmbH has been included in the consolidated financial statements as a fully consolidated company. macroInnovation GmbH holds 74.9% of the shares in macroSolution GmbH. The shares held in macroSolution by the third-party shareholder are shown separately in the equity capital as part of the minority interest.

macroInnovation GmbH and macroSolution GmbH offer productivity-enhancing IT solutions for workflows at banks and insurance companies. These solutions link document and knowledge management with rule-based process management.

In the 2006 financial year, macrosInnovation GmbH posted a net income of EUR 952 thousand with sales of EUR 4,272 thousand (according to the German Commercial Code, HGB). The consolidated financial statements as at 12.31.2006 contain EUR 849 thousand generated by macrosInnovation GmbH since its initial inclusion (according to IFRS).

As at December 1, 2006, syskoplan AG increased its share in the Cologne-based company Interactiv GmbH & Co. KG to 85.1% (previously 18.2%). InteracT!V GmbH & Co. KG has therefore been included in the Group since December 1, 2006.

InteracT!V GmbH & Co. KG develops mobile services and applications commissioned by clients. In future, Interactiv will also step up its activities as a service provider in the field of mobile applications and business processes. It has already made moves in this direction in the past with individual Java-based applications and the development of holistic mobile business processes for clients such as Neckermann, Radio FFH, Deutsche Post AG and Volkswagen AG.

InteracT!V GmbH & Co. KG recorded sales of EUR 389 thousand for the 2006 financial year (according to the German Commercial Code, HGB), finishing the year with an annual deficit of EUR 752 thousand. The 2006 consolidated financial statements (according to IFRS) include sales revenues of EUR 10 thousand and a loss totaling EUR 42 thousand.

syskoplan AG founded discovery sysko GmbH in late December 2006 as a wholly owned subsidiary with subscribed capital of EUR 25 thousand. The company offers consulting services and products for the management of digital media. The company is based in Munich. Business activities commenced on January 1, 2007.

The fact that the acquisition costs exceed the current market value of the reported net assets is largely due to the staff expertise on hand, which cannot be separated from goodwill.

On acquisition, the following assets and debts were assumed:

All figures in Euro thsd.	Book value	Current market value
Property, plant and equipment and other intangible assets	71	71
Holdings	5	5
Deferred tax claims	94	94
Receivables and other assets	1,421	1,521
Securities	900	900
Cash at bank	51	51
Pension reserves	-97	-97
Other reserves	-761	-761
Liabilities	-1,163	-1,163
Tax liabilities	-89	-89
Net assets acquired	432	532
Total purchase price		6,940
Goodwill		6,408
Total purchase price settled by:		
Cash		3,005
Non-cash contribution		350
Shares		1,900
Earn-out amount and assumption of debt		1,388
Directly attributable costs		297
		6,940
Net cash flow from the acquisition:		
Cash payment		3,652
Cash at bank acquired		-51
Total cash flow		3,601

Please refer to item (12) concerning the issuing of shares.

5.1 Acquisitions after the Balance Sheet Date

On 2.6.2007, syskoplan AG concluded a share purchase and capital contribution agreement with the shareholders of Xuccess Consulting GmbH, based in Gilching near Munich. This involves syskoplan acquiring 100% of the share capital of Xuccess.

Xuccess specializes in management consultancy covering regulatory reporting for banks. The company also offers IT consulting in the Microsoft environment and is a Microsoft Gold Certified Partner. With its 40 employees, Xuccess generated sales of EUR 7.6 million in the past financial year; its EBT margin is well over 10%.

The purchase price includes cash and a share component and involves an earn-out. As a result, syskoplan AG will increase its capital in 2007 by issuing 279,581 new shares with a nominal value of EUR 1.00 each at an issue price of EUR 7.69 per share. Existing Xuccess shareholders hold subscription rights. This will increase capital stock to EUR

4.715 million. The new shares are entitled to participate in profits as of January 1, 2007. They are subject to a lock-up agreement. Due to the profit contributions made in the past, syskoplan assumes that the results expected from Xuccess will significantly overcompensate for the slight dilution.

At the time when these consolidated financial statements were published, no final balance sheet of the company according to IFRS was available.

Notes to the Consolidated Balance Sheet

6. Intangible Assets and Property, Plant and Equipment

The development of goodwill, other intangible assets and property, plant and equipment can be seen in the fixed-asset movement schedule attached as an annex to the Notes.

7. Financial Assets

The financial assets are composed as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Holdings	5	1,989
Other securities	223	46
Other lendings	10	350
	238	2,385

In the year under review, holdings include a 20% stake in DOCS.ON GmbH, Stuttgart. macrosInnovation GmbH, which was acquired in the reporting year, holds a stake in DOCS.ON GmbH. As at December 31, 2005, it had equity capital of EUR 44 thousand, generating net income of EUR 17 thousand in the 2005 financial year (according to the German Commercial Code, HGB). In the previous year, holdings included an 18% stake in Interact!V GmbH & Co. KG and incidental acquisition costs incurred in 2005 for the purchase of macrosInnovation. The holdings are valued at acquisition cost as no significant influence on the company exists.

Other securities cover shares in money market funds to hedge pension claims and part-time work in the run-up to retirement.

8. Deferred Tax Claims

Listed below are the major deferred tax assets recorded by the Group. Movements during the current and past financial year are also shown:

All figures in Euro thsd.	12.31.2006	12.31.2005
Opening inventory	933	1,918
arising from events affecting net income	-282	-940
arising from reserve for currency rate adjustments	0	-45
arising from discontinued fields of activity	-160	0
	491	933

Deferred tax assets and liabilities are balanced out if there is a claim to offset actual tax refund claims against tax liabilities and if the deferred taxes relate to this income tax.

The deferred tax claims as at December 31, 2006, result from:

All figures in Euro thsd.	12.31.2006
Tax carryforwards	351
Intangible assets	302
Reserves	419
Sum of deferred tax assets	1,072
Intangible assets	36
Receivables	465
Reserves	80
Sum of deferred tax liabilities	581
Net amount of deferred tax assets	491

A tax rate of 38.0% is used for the German Group companies. This includes the uniform rate of corporate income tax, the solidarity surcharge, and an average rate of trade tax.

Deferred taxes were reported for the full amount of domestic tax carryforwards existing as at December 31, 2006.

9. Trade Accounts Receivable and Other Assets

All figures in Euro thsd.	12.31.2006	12.31.2005
Trade accounts receivable	6,442	7,706
Fixed-price projects with a credit balance due from customers	473	262
Other assets	690	624
	7,605	8,592

Fixed-price projects with a credit balance due from customers include work in progress assessed according to its percentage of completion (POC), offset against the partial payments received.

All figures in Euro thsd.	12.31.2006	12.31.2005
Capitalized production costs from fixed-price projects	2,344	2,312
plus PoC result	988	1,008
minus partial payments	-2,859	-3,058
Fixed-price projects with a credit balance due from customers	473	262
Net income from partial payments in excess of the total costs incurred and realized profits	-881	0
Fixed-price projects with an adverse balance (included in other liabilities)	-881	0

The sales revenues include EUR -151 thousand (previous year: EUR 1,675 thousand) from changes in future receivables from production projects.

10. Securities

The securities are shares in money market funds and REIT shares.

11. Cash at Bank and Cash in Hand

Cash and cash equivalents are made up as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Cash	3	4
Fixed-term deposits and overnight money	14,361	16,894
Balance on current accounts	4,685	3,105
	19,049	20,003

12. Subscribed Capital

The subscribed capital (equity capital) of syskoplan AG is divided into 4,435,616 individual fully paid-up, no par value shares. Arithmetically, each individual bearer share has a 1 euro stake in the capital stock. All the shares grant identical rights; no preferred stock is issued.

The number of shares in circulation has developed as follows:

Number of shares	2006	2005
At the beginning of the financial year	4,200,000	4,200,000
Capital increase from approved capital	224,585	0
Capital increase from conditional capital (share option plan)	11,031	0
At the end of the financial year	4,435,616	4,200,000

12.1 Announcements as per § 21 of the Securities Trading Law (WpHG)

In accordance with § 21 of the Securities Trading Law (WpHG), we were obliged to publish the following announcements:

Reply S.p.A., Turin, Italy, informed us on January 23, 2006, that it had exceeded the thresholds of 5, 10, 25 and 50% of the voting rights in syskoplan AG. Iceberg S.A., Luxembourg, Luxembourg, informed us on January 23, 2006, that it had exceeded the thresholds of 5, 10, 25 and 50% of the voting rights in syskoplan AG, as the voting rights held by Reply S.p.A. are attributable to Iceberg S.A. Alika s.r.l., Turin, Italy, informed us on January 23, 2006, that it had exceeded the thresholds of 5, 10, 25 and 50% of the voting rights in syskoplan AG, as the voting rights held by Iceberg S.A. are attributable to Alika s.r.l. Dott. Mario Rizzante, Turin, Italy, also informed us on January 23, 2006, that he had exceeded the thresholds of 5, 10, 25 and 50% of the voting rights in syskoplan AG, as the voting rights held by Alika s.r.l. are attributable to him.

12.2 Approved Capital

The Annual General Meeting on May 20, 2005, authorized the Executive Board to increase equity capital by up to EUR 2,100,000 in the period to May 20, 2010, with the Supervisory Board's approval. This capital increase may be implemented by issuing new shares on one or several occasions in exchange for cash and/or non-cash capital contributions. The Executive Board made partial use of this authorization in the 2006 financial year and issued 224,585 new individual bearer shares in exchange for a non-cash capital contribution (a stake in macrosInnovation GmbH). The current market value of these shares was EUR 8.46 each. The remaining approved capital then totals EUR 1,875,415.

12.3 Conditional Capital

A resolution was passed at the Annual General Meeting on September 20, 2000, to implement a conditional capital increase of up to EUR 300,000 by issuing up to 300,000 new individual bearer shares to employees, executives and members of the Executive Board. The new individual bearer shares issued as a result of this resolution are entitled to participate in profits from the beginning of the financial year in which they are issued. In total, 205,055 share options were granted. Following this resolution, 11,031 (previous year: 0) individual bearer shares were issued through December 31, 2006, leaving remaining conditional capital of EUR 194,024.

Please see section 32 for further details regarding this share option plan.

13. Additional Paid-In Capital

The other change to capital reserves recorded in the statement of changes in equity capital relates to a correction of input tax from the IPO of syskoplan AG who - in line with IAS 32.37 -, was also entered against capital reserves in previous years with no effect on the operating result.

In comparison to the previous year, capital reserves are composed as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Premium from the issue of shares minus issuing costs	16,822	14,912
Other shareholder contributions	330	330
	17,152	15,242

14. Revenue Reserves

The equity capital statement shows how revenue reserves have developed. The payment of dividends is based on the individual financial statements of syskoplan AG produced in accordance with the German Commercial Code (HGB). As in previous years, the Executive Board proposes paying dividends of EUR 0.26 per share, which is equiva-

lent to a total dividend outpayment of EUR 1,153 thousand as at 12.31.2006. This total is likely to change prior to the Annual General Meeting in May 2007 as any other options which are exercised could change the equity capital.

15. Translation Adjustment

The translation adjustment shown in the previous year resulted from converting the US subsidiaries' annual financial statements from their functional currency – US dollars – into the Group's currency, the Euro. As per IAS 21.48 f., the accumulated translation differences were received with an effect on income due to the discontinuation of US activities. They are shown in the result from discontinued fields of activity.

16. Treasury Stock

As at January 1, 2006, the company held 2,100 shares of treasury stock, which were sold on April 11, 2006 for EUR 8.40 each. In addition, 10,731 shares were purchased on May 23, 2006, at a cost of EUR 8.29 per share to be sold on to employees. Of these, 9,250 shares were sold to employees for EUR 7.59 per share; 1,481 shares are capitalized in the annual financial statements as treasury stock at EUR 7.80 per share. The revenues from the sales of shares were allocated to cash and cash equivalents. The treasury stock acquired amounted to 0.24% of equity capital (4,435,616 shares), the treasury stock sold accounted for 0.21%, and the treasury stock held in the company's inventory on the balance sheet date amounted to 0.03% of equity capital.

17. Other Shareholders' Equity and Shares in the Limited Liability Capital of Subsidiaries Held by Other Shareholders

Unlike in the previous year's financial statements, the minority interest in is4 GmbH & Co. KG is no longer shown under other shareholders' equity. Instead, it is posted with shares in the limited liability capital of subsidiaries held by other shareholders. It is recorded at fair value. The reference to the previous year has been adjusted. There were no changes to the fair value due to the according to plan development.

18. Bank Overdrafts and Bank Loans

All figures in Euro thsd.	12.31.2006	12.31.2005
Bank overdrafts and short-term portion of long-term loan obligations	200	908
Long-term loan obligations	1,627	1,828
	1,827	2,736

The long-term loans are due as follows:

All figures in Euro thsd.	< 1 year	1 to 5 years	More than 5 years	Total	Interest rate	Securities
Euro fixed-rate credit	85	170	0	255	3.73% p.a.	Land charge
Euro fixed-rate credit	115	460	997	1,572	4.28% p.a.	Land charge
	200	630	997	1,827		

The loans are used to finance the building in Gütersloh. The above land charges are registered on this property.

19. Pension Obligations

The figure shown for the Group's obligations in the balance sheets was determined by netting the asset values from reinsurance cover under life policies with the pension provisions. From this the liability of the group is composed as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Present value of pension obligations	3,042	2,547
Current market value of plan assets (asset value of reinsurance cover under life policies)	2,043	1,891
Financial status	999	656
Actuarial losses not included in the balance sheet	-253	-70
Obligations shown on the balance sheet (not covered by reinsurance)	746	586

Shown below are changes in the pension obligations:

All figures in Euro thsd.	12.31.2006	12.31.2005
At the beginning of the financial year	2,547	2,422
Current service cost	56	46
Interest expenses	126	116
Actuarial profits (-) and losses	183	-30
Payments made	-12	-7
Company mergers	142	0
At the end of the financial year	3,042	2,547

All pension obligations as at December 31, 2006, were calculated using the 2005G guideline tables by Klaus Heubeck. The pension obligations were evaluated as at December 31, 2006. The calculations were based on the following assumptions:

Interest rate	4.50% p.a. (previous year: 4.75%)
Rate of entitlement increase (if applicable)	1.50% p.a. (previous year: 1.50%)
Rate of benefit increase	1.50% p.a. (previous year: 1.50%)

Pension obligations are not financed by a fund; they are reinsured by means of qualified insurance policies. Their current market value has developed as shown below:

All figures in Euro thsd.	12.31.2006	12.31.2005
At the beginning of the financial year	1,891	1,771
Expected revenues from plan assets	52	66
Employer's contributions	55	54
Company mergers	45	0
At the end of the financial year	2,043	1,891

The profit and loss account shows the effects of the pension obligations and the reinsurance policies as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Current service cost	-182	-162
Expected revenues from plan assets	52	66
	-130	-96

This expenditure is allocated to personnel expenses and split between the Group's individual areas of activity. Please refer to note 23.

20. Long-Term Reserves

The long-term reserves consist solely of reserves for anniversary bonuses.

syskoplan AG employees receive anniversary bonuses based on their years of service at the company. For the first time the total commitment was calculated using actuarial principles based on an interest rate of 4.5%.

21. Other Short-Term Reserves

All figures in Euro thsd.	As at 01.01.2006	Adjustment for discontinued fields of activity	Utilized	Reversal	Addition	As at 12.31.2006
Personnel	1,791	-88	1,397	17	1,655	1,943
Guarantees	895		819	0	657	733
Outstanding invoices	370		364	6	432	432
Other short-term reserves	422	-53	316	12	2,032	2,073
Total	3,478	-142	2,895	35	4,775	5,182

The reserves for personnel primarily cover gratuities, bonuses, profit sharing and overtime pay. These obligations are uncertain, particularly in terms of their due date. Other reserves largely include the earn-out components of acquiring shares in macrosInnovation GmbH and InteracT!V GmbH & Co. KG. Both here and for the reserves for guarantees, uncertainty primarily stems from the amount of the obligation.

Notes to the Consolidated Profit and Loss Account

22. Revenues

Regarding the breakdown of revenues we refer to the business segment reporting (27).

23. Cost of Revenues, Sales Costs and Administrative Expenses

All figures in Euro thsd.	2 0 0 6			
	Cost of revenues	Sales costs	Administration costs	Total
Personnel expenses				
Wages and salaries	16,839	2,125	1,748	20,712
Social security	2,984	363	309	3,656
Pensions	113	24	17	154
Other	115	15	13	143
	20,051	2,526	2,088	24,666
Cost of purchased services	4,778	0	0	4,778
Other costs				
Depreciation	937	42	180	1,159
Advertising costs	0	1,384	0	1,384
Travel costs	2,704	351	311	3,366
Vehicle costs	2,388	268	254	2,910
Other	1,239	654	1,252	3,146
	12,046	2,699	1,997	16,742
Total costs	32,097	5,226	4,086	41,408

All figures in Euro thsd.	2 0 0 5			
	Cost of revenues	Sales costs	Administration costs	Total
Personnel expenses				
Wages and salaries	14,681	1,805	1,640	18,126
Social security	2,582	316	288	3,186
Pensions	68	14	15	97
Other	138	19	18	174
	17,469	2,154	1,960	21,583
Cost of purchased services	4,093	0	0	4,093
Other costs				
Depreciation	730	40	179	949
Advertising costs	0	1,087	0	1,087
Travel costs	2,463	319	299	3,082
Vehicle costs	2,256	276	251	2,782
Other	1,617	480	1,391	3,489
	11,159	2,202	2,120	15,481
Total costs	28,628	4,356	4,080	37,064

Leasing expenses amounted to EUR 3,358 thousand in 2006 (previous year: EUR 3,181 thousand) and were mainly incurred for IT hardware and software and for vehicles.

§ 315 and § 314 Section 1 No. 9 of the German Commercial Code (HGB) stipulate that auditing fees recorded as an expense in the current financial year must be disclosed in the IFRS notes to the consolidated financial statements as follows:

All figures in Euro thsd.	12.31.2006
Auditing	135
Tax advisory services	24
Other services	37
Total	195

24. Income Tax

Tax expenses can be broken down as follows:

24.1 Tax expenses

All figures in Euro thsd.	2006	2005
Current taxes	1,505	264
Deferred taxes	372	1,067
	1,877	1,331

The tax expenses for the financial year can be reconciled with the profit stated in the consolidated profit and loss account as shown below:

24.2 Reconciliation statement for taxes on income

All figures in Euro thsd.	2006		2005	
Result from continuing activities before tax	4,599		3,701	
Tax at domestic rate	1,747	38.0%	1,406	38.0%
Tax effect of non-deductible expenses when determining the taxable profit	46		51	
Tax expense out of period	125		1	
Corporation tax on minority shares	-152		-140	
Other deviations	111		13	
Tax expenses and effective tax rate for the financial year	1,877	40.8%	1,331	36.0%

25. Notes to the Discontinued Fields of Activity

At the beginning of 2006, the Executive Board and Supervisory Board resolved to discontinue the activities of the two US subsidiaries, syskoplan consulting Inc. and syskoplan Holdings Inc. In the course of 2006, all related measures were undertaken, such as terminating all existing contracts with employees, clients, etc. The two US companies are to be liquidated.

The results of the US subsidiaries included in the consolidated financial statements are composed as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Revenues	705	1,458
Cost of revenues	-889	-1,300
Gross profit/loss	-184	158
Profits from the sale of holdings	1,555	0
Other expenses	-1,003	-693
Earnings before tax	368	-535
Income tax expenses	-300	37
	68	-498

The assets and debt of the discontinued fields of activities can be broken down as shown below:

All figures in Euro thsd.	12.31.2006
Receivables and other assets	124
Purchase price payment to escrow account	318
Cash	653
Assets	1,095
Other reserves	-86
Tax payables	-231
Other liabilities	-70
Liabilities	-387
	708

26. Risks Arising from Financial Instruments

In addition to financial liabilities, the primary financial instruments mainly include cash, trade and other receivables, and securities. This represents the greatest risk of default to the Group in relation to the financial assets.

The risk of default to the Group mainly results from trade receivables. The amounts shown in the balance sheet have not been adjusted for bad debts. This value adjustment is made on the basis of past experience and the current economic climate. The remaining risk of default on outstanding receivables after value adjustments have been made is low because transactions are only concluded with customers with an excellent credit standing.

The risk of default on cash is limited, as it is held at banks which are considered by international rating agencies to have a good credit standing. The risk of default on securities is also low, as they are shares in money market funds or REITS from issuers with an excellent credit standing.

There is no significant concentration of non-payment risks to the Group since the risks are spread among a large number of contracting parties.

Changes to the value of the primary financial instruments can also result from fluctuations in exchange rates. The consolidated US holdings, which are to be liquidated, represent a major exchange rate risk. The currency exposure here totals some 1 million US dollars.

The primary financial instruments only present interest rate risks to a limited extent because the investment horizon is generally kept very short.

There are no interest rate-related risks to the amount due to banks; fixed interest rates apply to the interest-bearing financial liabilities. Changes in value pose a risk here, but the risk remains insubstantial for the Group given the total amount due to banks.

27. Segment Reporting

Until now, the geographic regions Germany and the USA represented the primary reporting format. Following discontinuation of the Group's activities in the USA, the Group has been organized into business segments. This involves distinguishing between the two main activities, consulting and computer center services.

For 2006, the continuing fields of business – divided into computer center and consulting – performed as shown below. The profit and loss entries are annual figures, the balance sheet positions are correct as at December 31, and the number of employees is the average figure for the year. The result from discontinued activities relates solely to the consulting segment. Please see note (25).

All figures in Euro thsd.

Continuing fields of activity: segments

	Computer center			Consulting		
	12.31.2006	12.31.2005	Change	12.31.2006	12.31.2005	Change
Revenues	9,502	7,263	31%	43,060	40,171	7%
EBIT	720	513	40%	3,431	3,071	12%
EBT	766	528	45%	3,838	3,229	19%
Earnings	622	428	52%	2,139	2,031	5%
Assets	4,098	4,437	-8%	31,530	34,868	-10%
Liabilities	1,694	3,089	-45%	13,220	12,536	6%
Investments	413	297	39%	420	1,519	-72%
Depreciation	338	223	52%	821	726	13%
Employees (FTE)	41	33	22%	285	255	12%

All figures unconsolidated

The following reconciliation statement is presented according to IAS 14.67:

Reconciliation with consolidated figures

All figures in Euro thsd.	Reconciliation		Consolidated figures	
	12.31.2006	12.31.2005	12.31.2006	12.31.2005
Revenues	7,335	7,100	45,227	40,334
EBIT	3	-32	4,154	3,552
EBT	-5	-56	4,599	3,701
Earnings	622	710	2,139	1,749
Assets	-4,651	-2,508	40,279	36,797
Liabilities	-5,649	-6,078	9,265	9,547
Investments	0	0	833	1,816
Depreciation	0	0	1,158	949
Employees (FTE)	0	0	326	288

Figures in the reconciliation column for revenues, assets and liabilities essentially refer to consolidation figures.

28. Key Accounts

IAS 14 requires sales to customers who account for more than 10% of total sales to be disclosed, along with the segments concerned. In 2006, more than 10% of total sales were generated with Volkswagen Bank. This single customer accounted for 17% of total sales (previous year: 17%) (consulting segment).

In addition, we draw attention to the fact that 12% of sales in 2006 were to companies in the Melitta Group (previous year: 16%) and 24% to the VW Group (previous year: 27%).

29. Number of Employees, Executive Board and Supervisory Board Members**29.1 Employees**

In 2006, an average of 338 staff members were employed in the Group (previous year: 301).

29.2 Executive Board

The members of the company's Executive Board in 2006 were:

- + Dr. Manfred Wassel, Gütersloh (Chairman), strategy, marketing, communications, investor relations
- + Dr. Jochen Meier, Löhne, operations, sales, human resources
- + Dott. Daniele Angelucci (since 9.1.2006), finance, mergers & acquisitions.

Executive Board Remuneration

Remuneration for key managers which must be declared in line with IAS 24 covers the salaries paid to active members of the Executive Board and the Supervisory Board of the syskoplan Group. Remuneration details for Mr. Daniele Angelucci – the third member of the Executive Board – are included as of September 1, 2006. In the 2006 financial year, the Executive Board received remuneration as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Regular salaries	1,190	1,035
Interest-independent change in pension provisions (service costs)	51	47
Share-based remuneration	0	0

The service cost for pension accruals for active Executive Board members is listed under payments following cessation of employment. As at December 31, 2006, no loans or advances had been granted to Executive Board members.

For further details on Executive Board remuneration, please see the management report and the corporate governance report.

Options Held by the Executive Board

Dr. Wassel and Dr. Meier were last allotted share options in the 2003 financial year as part of the syskoplan AG share option plan. Both of them still hold options issued at that time at the conditions listed below:

Exercise price in euros	Year of issue	Number	Exercise price	Expiry date
Dr. Manfred Wassel	2000	500	26.40	10.05.2007
	2001	624	21.16	04.12.2008
	2002	300	22.08	04.22.2009
	2003	300	6.71	04.24.2010
	Total	1,724		
Dr. Jochen Meier	2000	500	26.40	10.05.2007
	2001	624	21.16	04.12.2008
	2002	300	22.08	04.22.2009
	2003	300	6.71	04.24.2010
	Total	1,724		

Due to the way in which the syskoplan share price has developed over the last several years, only the options issued in 2003 are valuable.

Other Posts Held by Executive Board Members

In the 2006 financial year, the members of the Executive Board sat on the following supervisory boards and comparable controlling bodies in Germany and abroad:

- + Dr. Manfred Wassel: Advisory Board, Interactiv GmbH & Co. KG, Munich
- + Dr. Jochen Meier: Advisory Board, is4 GmbH & Co. KG, Minden (Chairman)
- + Dott. Daniele Angelucci: No other appointments

29.3 Supervisory Board

Supervisory Board Members

In the year under review, the following were members of the Supervisory Board of syskoplan AG:

- + Dott. Mario Rizzante, President of Reply S.p.A., Turin, Italy (member since 2.16.2006, Chairman since 5.24.2006)
- + Dr. Niels Eskelson, management consultant, Paderborn (Chairman until 5.24.2006, Deputy Chairman since 5.24.2006)
- + Dr. Stefan Duhnkrack, partner at the joint legal practice Heuking Kühn Lüer Wojtek, Hamburg (member since 2.16.2006)
- + Dott. Riccardo Lodigiani, senior partner at Reply S.p.A., Turin, Italy (member since 2.16.2006)
- + Dott. Tatiana Rizzante, senior partner at Reply S.p.A., Turin, Italy (member since 2.16.2006)
- + Dr. Gerd Wixforth, retired city manager, Gütersloh
- + Dr. Klaus Weigel, Chairman of the Executive Board of DZ Equity Partner GmbH, Frankfurt am Main (Deputy Chairman until 1.9.2006)
- + Dr. Peter Pagé, management consultant, Constance (until 2.15.2006)
- + Dr. Reinhard K. Sprenger, management consultant, Essen (until 2.15.2006)
- + Markus Wilhelm, CEO Bookspan, Brookville New York /USA (until 2.15.2006).

Other Posts Held by Supervisory Board Members

In the year under review, the members of the Supervisory Board were also members of other supervisory boards and comparable controlling bodies in Germany and abroad. Their posts are listed below:

- | | |
|----------------------------|--|
| + Dott. Mario Rizzante | No other appointments |
| + Dr. Niels Eskelson | No other appointments |
| + Dr. Stefan Duhnkrack | Lloyd Fonds AG, Hamburg, Chairman of the Supervisory Board (until May 2006), NetBid Industrie-Auktionen AG, Hamburg, member of the Supervisory Board |
| + Dott. Riccardo Lodigiani | No other appointments |
| + Dott. Tatiana Rizzante | No other appointments |
| + Dr. Gerd Wixforth | Teutoburger WaldEisenbahn AG |

Supervisory Board Remuneration

In line with § 9 of the articles of incorporation, in addition to the reimbursement of expenses incurred in connection with attending Supervisory Board meetings, members of the Supervisory Board receive a fixed remuneration of EUR 10,000 per full financial year. The Supervisory Board Chairman receives twice this amount and his deputy receives one and a half times this amount.

No loans or advances were granted to members of the Supervisory Board in the year under review.

The members of the Supervisory Board received remuneration as follows:

All figures in Euro thsd.	12.31.2006	12.31.2005
Regular salaries	73	75
Long-term remuneration components	0	0

30. Corporate Governance Code

In November 2006, the Executive Board and the Supervisory Board issued a declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to shareholders on the company's website.

31. Other Financial Obligations

In 2006, minimum payments of EUR 3,358 thousand (previous year: EUR 3,181 thousand) relating to lease agreements (operating leases) were recorded as an expense. These agreements do not entail any conditional installment payments, any extension or purchase options or any price adjustment. These lease agreements give rise to the following minimum lease payment obligations in future:

All figures in Euro thsd.	2006	2005
Within one year	2,940	2,433
Within 2 to 5 years	2,829	3,430
	5,769	5,863

The lease obligations primarily cover vehicles and IT hardware leased by is4. The vast majority of the IT hardware is leased on to customers.

There are no further contingent liabilities.

32. Share Option Plan

The Annual General Meeting held on September 20, 2000 agreed on a share option plan for employees which came to an end with the final tranche from 2004. The plan has the following basic features:

A maximum of 300,000 subscription rights will be issued to employees. The annual tranche may not exceed 30% of the total volume (90,000 subscription rights).

Subscription rights may be exercised after the expiry of a holding period of two years and only within the following five-year period (exercise period). The date of issue is the date of notification.

Five tranches have been issued so far, the first on October 5, 2000, the second on April 12, 2001, the third on April 22, 2002, the fourth on April 24, 2003, and the fifth on April 7, 2004.

The exercise price for the first tranche is 110% of the placement price. For the second and each subsequent tranche, it is 110% of the average closing price (Xetra trading) on the five trading days before the rights were issued.

A Black-Scholes binomial model was used to ascertain the fair value. The assumptions made for this purpose can be found in the "Share option plan overview" table.

The number and weighted average exercise price of the issued options developed as follows:

	Number		Weighted average exercise price (euro)	
	2005	2006	2005	2006
At the beginning of the financial year	205,055	199,937	15.95	15.95
Options granted	0	0	0	0
Options exercised	0	11,031	0	7.15
Options expired	5,118	5,522		
Exercisable options outstanding at the end of the financial year	199,937	183,384	15.95	16.45

Share option plan overview

	First tranche	Second tranche	Third tranche	Fourth tranche	Fifth tranche
Fair value of subscription right	11.64	8.81	7.70	2.96	3.01
Exercise price	26.4	21.16	22.08	6.71	7.63
Dividend yield	1% p.a.	2% p.a.	2% p.a.	2% p.a.	3% p.a.
Term	5 years	5 years	5 years	5 years	5 years
Interest rate	5.10%	4.50%	4.80%	3.40%	3.20%
Volatility during holding period	77% then 40%	71% then 49%	50% then 46%	65%	61.20%
Dilution factor	99%	99%	99%	99%	99%

All figures in euros

Apportionment of Subscription Rights Issued:

First tranche (2000 financial year)		
	Number of beneficiaries	Number of options
Executive Board members	2	1,000
Executives	43	21,500
Employees	238	29,097
Supervisory Board	0	0
Total	283	51,597
Second tranche (2001 financial year)		
	Number of beneficiaries	Number of options
Executive Board members	2	1,248
Executives	62	38,594
Employees	236	33,657
Supervisory Board	0	0
Total	300	73,499
Third tranche (2002 financial year)		
	Number of beneficiaries	Number of options
Executive Board members	2	600
Executives	83	24,795
Employees	232	23,217
Supervisory Board	0	0
Total	317	48,612
Fourth tranche (2003 financial year)		
	Number of beneficiaries	Number of options
Executive Board members	2	600
Executives	73	21,945
Employees	248	22,860
Supervisory Board	0	0
Total	323	45,405
Fifth tranche (2004 financial year)		
	Number of beneficiaries	Number of options
Executive Board members	2	0
Executives	78	33,985
Employees	249	37,422
Supervisory Board	0	0
Total	329	71,407

The equity capital statement shows the total expenses for share-based remuneration transactions. In the year under review, expenses totaled EUR 22 thousand (previous year: EUR 101 thousand). This is equivalent to the portion of total expenditure accounted for by share-based remuneration balanced by equity capital instruments.

33. Earnings per Share

All figures in Euro thsd.	2006	2005
Relating to the period result		
- undiluted	0.50	0.30
- diluted	0.50	0.30
Relating to the period result for continuing business activities		
- undiluted	0.48	0.42
- diluted	0.48	0.42

The undiluted earnings per share are calculated by dividing the result for the year (2006: EUR 2,207 thousand, previous year: EUR 1,252 thousand) by the average outstanding capital stock (2006: 4,433,417 shares, previous year: 4,200,000 shares). The average outstanding capital stock for 2006 differs from the number of outstanding shares as at 12.31.2006 (4,435,316) because 224,585 shares were issued from the approved capital on May 1, 2006, and 11,031 shares were issued from the conditional capital in the course of 2006 (shares included pro rata temporis as at the end of each quarter).

The diluted earnings per share are calculated by dividing the result for the year (2006: EUR 2,207 thousand, previous year: EUR 1,252 thousand) by the average outstanding capital stock plus the common stock (2006: 4,444,461 shares, previous year: 4,200,000 shares), which may have a diluting effect.

At syskoplan, only shares issued under the share option plan (see note 32 above) could have a diluting effect. There is no diluting effect for tranches 1 to 3 of the share option plan because the syskoplan share price was EUR 8.00 on 12.31.2006 and therefore lower than the exercise price for tranches 1 to 3. Tranches 4 and 5, on the other hand, have a diluting effect because their exercise price is below the average annual price of the syskoplan share.

Based on the number on subscription rights issued per tranche, the exercise price for each, and the average share price for the year, there are 5,543 common shares which could have a diluting effect in the fourth tranche and 3,303 common shares which could result in dilution in the fifth tranche. The figure of 4,442,262 common shares used to calculate the diluted result is determined by taking the average figure of 4,433,417 outstanding common shares used to calculate the undiluted earnings and adding the common shares from the fourth and fifth tranches of the share option plan, which may have a diluting effect.

When considering instruments which may have a diluting effect in the future (conditional capital), please note tranches 1 to 3 (cf. note 32 above).

34. Relationships with Associated Companies and Individuals

Associated companies and individuals are Reply S.p.A. – the direct majority shareholder of syskoplan AG – the members of the Consiglio di Amministrazione and the Collegio Sindacale of Reply S.p.A., and the members of the

Executive Board and Supervisory Board of syskoplan AG. Furthermore, Iceberg S.A., Alika s.r.l, and Dott. Mario Rizzante are considered associated individuals as they are indirect majority shareholders.

These companies and individuals hold the following shares and options as at December 31, 2006:

Person	Function	Number of	
		Shares	Options
Dr. Manfred Wassel	Chairman of the Executive Board	2	1,724
Dr. Jochen Meier	Member of the Executive Board	1	1,724
Dott. Daniele Angelucci	Member of the Executive Board	0	0
Dott. Mario Rizzante	Chairman of the Supervisory Board	2,679,604	0
Dr. Niels Eskelson	Deputy Chairman of the Supervisory Board	500	0
Dr. Stefan Duhnkrack	Member of the Supervisory Board	0	0
Dott. Riccardo Lodigiani	Member of the Supervisory Board	0	0
Dott. Tatiana Rizzante	Member of the Supervisory Board	0	0
Dr. Gerd Wixforth	Member of the Supervisory Board	4,000	0
syskoplan AG	Treasury stock	1,481	0

Please refer to note 29 for further details of the remuneration paid to the members of the Executive Board and Supervisory Board.

No significant business dealings or transactions were concluded with companies belonging to the Reply Group and their direct or indirect parent companies.

35. Special Events after the Balance Sheet Date

syskoplan AG acquired 100% of the shares in Xuccess GmbH, Munich on 2.6.2007.

No further significant events have occurred after 12.31.2006 that affect the company's asset, financial and earnings position.

Gütersloh, March 1, 2007

syskoplan AG

The Executive Board

2.7 Auditor's Report on the Consolidated Financial Statements

We have issued the following opinion on the consolidated financial statements and the group management report:

„We have audited the consolidated financial statements prepared by syskoplan AG, Gütersloh, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, segment reporting and notes, and the group management report, which was combined with the Parent Company's management report, for the business year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) Commercial Code, 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.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatement 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 of syskoplan AG, Gütersloh, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a(1) of the Commercial Code and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report, which was combined with the Parent Company's management report, is consistent with the consolidated financial statements and as a whole provides an appropriate view of the Group's position and appropriately presents the opportunities and risks of future development."

Frankfurt/Main, March 2, 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft



(Drewes)
Wirtschaftsprüfer



(ppa. Meyer)
Wirtschaftsprüfer





2.8 Financial Statements of syskoplan AG according to HGB - abstract

Balance Sheet on December 31, 2006

All figures in Euro thsd.

Assets	12.31.2006	Previous Year
A. Fixed assets		
I. Intangible assets	71	137
II. Tangible assets	551	579
III. Financial assets	11,918	7,166
Sum	12,541	7,883
B. Current assets		
I. Inventories	1,422	1,687
II. Accounts receivable and other assets	6,391	6,574
III. Securities	12	14
IV. Cash in hand, cash at bank	14,230	14,932
Sum	22,055	23,208
C. Deferred items	261	245
Total assets	34,857	31,336
Liabilities		
A. Equity		
I. Subscribed capital (contingent capital 194, previous year 205)	4,436	4,200
II. Capital reserve	19,700	17,957
III. Surplus reserve	822	822
IV. Unappropriated profit	1,530	1,092
Sum	26,488	24,072
B. Provisions	2,396	2,346
C. Liabilities	5,952	4,914
D. Deferred items	22	5
Total liabilities	34,857	31,336

The complete financial statement of syskoplan AG provided with an unqualified opinion of the auditor is published in the federal gazette and deposited at the registry court of the district court Gütersloh. It can be requested in electronic form at syskoplan AG.

Income Statement for period of January 1, to December 31, 2006

All figures in Euro thsd.		2006	Previous Year
1. Revenues	29,293		28,343
2. Increase or decrease in work in progress	-264		652
		29,029	28,995
3. Other operating income		925	747
		29,954	29,742
4. Costs of material			
Costs of bought-in services	3,654		4,308
5. Personnel expenses			
a) Wages and salaries	12,668		11,901
b) Social security contributions and costs of provisions for retirement and welfare of which for retirement 107 (previous year 130)	2,297		2,163
	14,965		14,064
6. Depreciation on tangible and intangible assets	344		343
7. Other operating expenses	10,094		9,832
		29,056	28,548
Operating income/loss		898	1,194
8. Income from holdings of which from subsidiary undertakings 2.078, previous year 611)	2,078		611
9. Other interest and similar profits of which from subsidiary undertakings 76, previous year 91)	469		323
10. Depreciation on financial assets	1,305		700
11. Interest and similar expenses	0		3
		1,241	231
12. Profit on ordinary activities		2,139	1,425
13. Income tax		610	0
14. Net profit/loss for the year		1,530	1,425
15. Withdrawal from surplus reserves			
a) from reserve for treasury stock		3	0
b) from other surplus reserves		0	8
16. Allocation to surplus reserves			
a) to reserve for treasury stock		0	8
b) to other surplus reserves		3	333
17. Unappropriated profit		1,530	1,092

3 Company Calendar syskoplan AG

Date	Occasion	Location
March 22, 2007	Press conference presenting financial statements	Frankfurt am Main
March 22, 2007	Conference for analysts	Frankfurt am Main
May 05, 2007	Report on Q1	Gütersloh
May 24, 2007	Annual General Meeting	Gütersloh
May 26, 2007	Payment of dividend	Gütersloh
August 04, 2007	Report on Q2	Gütersloh
November 03, 2007	Report on Q3	Gütersloh

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Head Office

syskoplan AG
Bartholomäusweg 26
D-33334 Gütersloh
Telefone +49 (5241) 50 09-0
Telefax +49 (5241) 50 09-10 99

Branch Offices

Ahrensburger Straße 5
D-30659 Hannover
Telefone +49 (511) 90 29 1 - 0
Telefax +49 (511) 90 29 1 - 99

Klenzestraße 7
D-85737 Ismaning
Telefone +49 (89) 99 68 71 - 0
Telefax +49 (89) 99 68 71 - 99

Gothaer Straße 4
D-40880 Ratingen
Telefone +49 (2102) 40 77 - 0
Telefax +49(2102) 40 77 - 99

Königstraße 35
D-70173 Stuttgart
Telefone +49 (711) 22 80 5 - 0
Telefax +49 (711) 22 80 5 - 99

E-Mail: syskoinfo@syskoplan.de
Internet: www.syskoplan.de

Subsidiaries

cm4 GmbH & Co. KG
Bartholomäusweg 26
D-33334 Gütersloh
Telefone +49 (5241) 50 09 - 0
Telefax +49 (5241) 50 09 - 10 99
E-Mail: contact@cm4.de
Internet: www.cm4.de

is4 GmbH & Co. KG
Ringstr. 99
32427 Minden
Telefone +49 (571) 38 54 - 0
Telefax +49 (571) 38 54 - 18 19
E-Mail: info@is-4.de
Internet: www.is-4.de

macroInnovation GmbH
Gustav-Heinemann-Ring 125
D-81379 München
Telefone +49 (89) 89 89 94 – 0
Telefax +49 (89) 89 89 94 – 11
E-Mail: info@macrosinnovation.de
Internet: www.macrosinnovation.de

Interactiv GmbH & Co KG
Friesenstr. 5-15
50670 Köln
Telefone +49 (221) 66 94 0 - 40
Telefax +49 (221) 66 94 0 - 55
E-Mail: info@interactiv.tv
Internet: www.interactiv.tv

discovery sysko
Klenzestraße 7
D-85737 Ismaning
Telefone +49 (89) 99 68 71 - 0
Telefax +49 (89) 99 68 71 - 99
E-Mail: info@discovery.sysko.de