

# Changes



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# Changes

There is scarcely another industry that changes as rapidly as information technology. The industry profoundly influences the way we live and work.

GFT, too, has changed over the past twenty years – both the company and its employees have matured along with the information technology sector.

At the end of the eighties only specialists had access to the invisible science of informatics. Within ten years, however, information technology had penetrated our jobs and our personal lives. The advent of the PC fostered independence from large computer centres and today we can barely imagine a work-place, or indeed daily life, without one. Nowadays we can communicate with the world while on the move. Exchanging data, providing information and sharing knowledge can now happen within seconds. The journey from data processing via the information society to the knowledge society took decades. But what will our world look like tomorrow? When we contemplate the future our imagination has no limits.

Come along with us on a journey to our origins and let us take a look at our future.

# GFT Group Summary

<b>Financial figures according to IFRS in €m.</b>	<b>01/01-31/12/2006</b>	<b>01/01-31/12/2005</b>
Revenue	173.678	120.944
Earnings before interest, tax, depreciation and amortisation (EBITDA)	7.310	2.111
Total depreciation	1.163	1.262
Amortisation of goodwill	0	0
Earnings before interest and taxes (EBIT)	6.147	0.849
Earnings before taxes (EBT)	6.665	1.579
Net income	5.109	1.064
IAS earnings per share, in €	0.19	0.04
Fixed assets	23.556	18.208
Liquid assets and securities	23.891	28.648
Remaining current assets	38.490	25.847
Equity ratio, in %	54	57
Number of permanent employees at the end of the year	1,057	981

# Our divisions

## GFT

### Services

IT Services:

reliable  
international  
direct

In the *Services* business division we conceive and develop innovative and individual IT applications. After implementing these solutions, we also take on their operation and maintenance. Our well-founded project and technological experience, as well as comprehensive industry competence in the financial and logistics services sectors, make GFT a preferred IT partner for reputable companies domestically and abroad.

### Resourcing

Supplying IT personnel:

flexible  
punctual  
suitable

The *Resourcing* business division covers the facilitation of IT specialists to companies in all industries. We find the sought-after IT experts, and supply them on a project-basis to our customers, ensuring optimum cost effectiveness.

Our subsidiary emagine is the leader in Third Party Management in Germany. It offers its clients the customised management of their IT suppliers, which enables them to reduce costs, increase process quality and improve legal security.

### Software

Optimisation of business processes:

automated  
pragmatic  
innovative

In the *Software* business division we develop and implement customised IT solutions for the optimisation of business processes and the archiving of documents. Our solutions are based on standardised software products which support companies in digitalising and automating internal processes.

With our GFT *inspire* family of products we offer a complete and powerful platform. The software solution GFT *hyparchiv* allows a consistent automatic and company-wide document management as well as auditable archiving.

# Letter to the Shareholders

Dear Ladies and Gentlemen,

I am pleased to be able to report on a very successful financial year for the GFT Group. 2006 confirmed that we are effectively following the right path with our strategy. In November we had raised our revenue and results objectives, and we have even been able to exceed these slightly: We managed to increase our revenue by 44% to € 173.7m., and to increase our pre-tax result more than four-fold to € 6.7m. As a result, GFT is able to draw a positive balance at the end of its 20th year in business.



**Ulrich Dietz**

Chairman of the Executive Board (Chief Executive Officer); responsible for the divisions *Resourcing* and *Software* as well as for the corporate functions Marketing, Communications and Investor Relations

The *Resourcing* division has produced a strong thrust of economic growth in the past year, which we strengthened moreover with the acquisition of Parity. On reflection, the speedy integration into our company of the purchased Parity-companies proceeded very smoothly; we were able to retain all clients and even to acquire new ones. We are now optimally positioned to transfer our successful business model to large companies outside our key markets Germany and France. Our initial plans to develop the markets in England and Switzerland are very promising and we are anticipating the fulfilment of interesting prospects.

In the *Services* division, our focus on selected industries is paying off. Our clients in the financial services and logistics sectors appreciate and respect the fact that GFT possesses a deep understanding of processes and the market, in addition to its technological and problem-solving competence. Thus, we are also involved in IT oriented strategy consulting for our clients. They commission us with the development of applications, and they entrust us with the maintenance and operation of their IT solutions. GFT is more and more frequently becoming one of the strategic IT partners of international companies. This is the stable foundation for long lasting and dependable partnerships. Our well established combination of international production centres, to which Brazil made a significant contribution in 2006 for the first time, has proven itself once again.

In 2006, the *Software* division also delivered solid growth rates in a market with interesting prospects. With the products that GFT develops and implements in this area, we are placing emphasis on a trend that continues worldwide in companies of all sizes and from all industries: the automation of standardised business processes.

Together, the three business divisions form the unique profile that significantly distinguishes GFT and elevates it above its competitors. Our company covers all the important steps along the value-added chain in the IT services sector: as a specialist for the procurement of IT specialists, as an integrator of system solutions, and as a producer of software. The growth potentials associated therewith will be specifically addressed in the current and forthcoming years.



F.I.t.r.:

**Marika Lulay**

Member of the Executive Board (Chief Operating Officer); responsible for the *Services* division as well as for the corporate functions Technology and Quality Management

**Dr. Jochen Ruetz**

Member of the Executive Board (Chief Financial Officer); responsible for the corporate functions Finance, Controlling, Human Resources, Internal Revision, Legal and Internal IT

When we look back upon the last 20 years, one thing becomes very clear: Fundamental changes in information technology have become a permanent subject. IT developments have found their way into our everyday lives and permeated every area of our professional and private lives. Many of us send and receive electronic messages or use mobile communications on a daily basis. Supermarket goods are scanned at checkout and we pay by credit card, or conduct our purchases and financial transactions over the Internet. We are living and working in very exciting times, in which innovations are implemented from ideas into reality at increasingly faster speeds.

As an IT company, we shape such innovations and take considerable part in the changes to our society. In doing so, our own work has also been subject to ongoing changes. Hardware and software, as well as their underlying technologies have evolved enormously. For GFT, this means that we have to repeatedly investigate new areas and trends. The past 20 years have thus been full of challenges. We have continuously raised the bar for success – reason enough to adopt these ongoing changes as the main theme of our annual report.

GFT started out in 1987 as a small software hotbed in St. Georgen, in the Black Forest. Today, the company employs more than 1,000 people in seven countries, and maintains business relationships with companies all over the world – the bottom line is a remarkable success. During these 20 years we have remained faithful to our core tasks, furthering innovations and services in the IT sector.

For 2007 and onwards we have resolved to accelerate our growth and to expand profitability. The objective is to sustainably increase our company's value. In the current year we are striving for revenue of € 190m. to € 200m., with a pre-tax operating margin of 4.5 to 5.0 percent. We are working intensively to deliver GFT's growth story to the capital market and to make investors aware of our stock.

Our employees and the Executive Board are working solidly towards achieving the goals we have set. As the founder and main shareholder of GFT, I, together with my family, have supported for 20 years the achievement of the strategic freedom needed to attain such goals.

GFT's success is based fundamentally on the qualifications and motivation of our employees. They are the people who shape our future with their ability to make changes. We would like to sincerely thank all those who have made such contributions since the founding of GFT.

We thank our shareholders for their trust in the long term prospects of our company, and we thank our clients for their loyalty. We invite you to travel with us through these exciting and changing times.

Yours,

Ulrich Dietz  
Chairman of the Executive Board

# Report of the Supervisory Board

## Dear Shareholders,

We have fully complied with all of the duties assigned to us, pursuant to law and to our Articles of Association, for the financial year 2006. We have continuously advised and monitored the Executive Board in regards to the management of the company. The Board has briefed us regularly, promptly and in detail on the development of business. We have discussed the Company's financial and economic situation at length during our meetings. Furthermore, we have remained in constant communication with the Executive Board during the entire reporting year, either in writing or through individual discussions, whereby we discussed the present situation as well as other significant occurrences.

### **Meetings of the Supervisory Board and their monitoring function**

The collaboration with the Executive Board is characterised by open dialogue and the active support offered by the Supervisory Board. During the six meetings over the past year, we were informed first and foremost about important events and we discussed matters which required a decision on our part. Prior to such meetings, comprehensive reports from the Executive Board, extracts from Company publications, and particularly documents from Controlling were sent to us. The Supervisory Board was able to fulfil its monitoring duties based on such documentation and on other information requested by us within and outside of meetings. We advised the Executive Board constructively in the implementation of measures which resulted from issues that required authorisation.

The subject of the meetings, held in connection with each quarterly financial statement, were the development of employment, revenue and results for the Group and its business segments, the financial position, and investment planning. Another subject stemming from the reports was deviations from plans and goals during the course of business. These were examined on the basis of the documentation presented. In addition, the Executive Board briefed us on long term company planning and strategies, as well as on the risk situation and risk management.

We convened on 27 March 2006 for the first meeting of the year. Grant Thornton GmbH Wirtschaftsprüfungsgesellschaft Hamburg, represented by its Stuttgart branch office, presented its comments on the Annual Financial Statements and the Consolidated Financial Statements for 31 December 2005, as well as on the Management Reports. We discussed these extensively. The Supervisory Board agreed with the results of the financial audit and raised no objections. The Supervisory Board also approved the Financial Statements prepared by the Executive Board and established the Financial Statements of GFT AG. Additional topics covered during this meeting were the integration of the Parity-companies acquired on 31 January 2006, and the budget for the GFT Group, which was revised in connection with the integration. In addition, we discussed in detail the strategy of the *Services* division.

The Interim Report as for 31 March 2006 was the central topic of discussion at the Supervisory Board meeting on 8 May last year. Furthermore, we discussed with the Executive Board the company's risk management system, which was extended to all subsidiaries in the previous year. A high standard has been set throughout the group in the last few years.

The Supervisory Board met on 22 May 2006 to prepare the Annual General Meeting. In addition to topics relevant to the General Meeting, the current situation of the company was also broached.

The focus of the meeting on 7 August 2006 was business development in the first half of the year. Furthermore, the Executive Board reported on the reorganisation of the Sales division at GFT Solutions GmbH, as well as on product developments that the company will promote in a targeted manner.



**Franz Niedermaier**  
Chairman of the  
Supervisory Board

The main topic of discussion on the agenda for the meeting of 6 November 2006 was the report from the Executive Board at the conclusion of the third quarter. The Board informed us of the company's strategic direction which was developed together with the company's directors during a two-day workshop.

On 11 December 2006 we turned our attention to discussing and approving the budget for 2007. At this meeting, we also addressed the EU Transparency Directive, which went into effect on 20 January 2007. Subsequent to the meeting, the Supervisory Board met alone without the Executive Board. It dealt intensively with Corporate Governance and the Supervisory Board conducted its own appraisal of efficiency work.

All members of the Supervisory Board took part in four out of six meetings. One member was unable to participate in one of the meetings, and two members were unavailable at another meeting.

#### **Corporate Governance**

The Declaration of Conformity for 2006 was signed by us on 11 December 2006. We dealt in detail with the amendments to the Code in the 12 June 2006 version, and we discussed the results of the appraisal of the efficiency of the Supervisory Board, as in previous years, using a company-specific questionnaire. For 2006 we also considered the formation of committees to be unnecessary due to the low number of Supervisory Board members.

#### **Changes in the Supervisory Board**

At the start of the year, Dr. Peter Opitz, an advocate, was appointed to the Supervisory Board by the Villingen-Schwenningen District Court. Afterwards, his appointment was ratified at the General Meeting on 23 May 2006. The Supervisory Board elected him as their Deputy Chairman.

### **Comments pursuant to section 289 (4) and section 315 (4) German Commercial Code (HGB) of the Management Reports**

The German Takeover Directive Implementation Act of 8 July 2006 provided stock-listed companies with a new list of mandatory information that is to be included in the Management Report as well as in the Management Report for the Consolidated Financial Statements (see pages 50 and 51). The Supervisory Board comments on these disclosures pursuant to section 171 (2) sentence 2 of the German Stock Corporation Act (AktG), as follows:

#### **Structure of the share capital**

The structure of the share capital (section 4 (1) of the Articles of Association) is appropriately described in the Management Reports. The company does not dispose of different classes of shares.

#### **Shareholdings which exceed 10 percent of the voting rights**

The declared shareholding of Mr. Ulrich Dietz of 27.36% of all voting rights has been notified to the company.

#### **Rules governing the appointment and replacement of members of the Executive Board**

As appropriately stated in the Management Reports pursuant to the German Stock Corporation Act (section 84) and the Articles of Association of GFT the members of the Executive Board are appointed by the Supervisory Board. Pursuant to the Articles of Association (section 5 sentence 1), the Executive Board has at least two members, in addition the number of Executive Board members is determined by the Supervisory Board (section 5 sentence 2 of the Articles of Association). At present the company has three Executive Board members. Members of the Executive Board may be appointed for a maximum term of up to five years. The company's Supervisory Board works together with the Executive Board to ensure long term succession planning pursuant to the provisions of the German Corporate Governance Code.

#### **Rules governing the amendment of the Articles of Association**

As stated in the Management Reports any amendment of the Articles of Association requires a resolution of the General Meeting. Pursuant to section 179 (2) sentence 1 of the German Stock Corporation Act the resolutions of the General Meeting require a three-fourth majority of capital stock. The Articles of Association of the company did not determine a different majority for this resolution nor have any other requirements been defined. The authority to amend the Articles of Association in so far as such amendments merely relate to the wording, has been assigned to the Supervisory Board by the Articles of Association of GFT (Section 21 (1)) in conjunction with section 179 (1) sentence 2 German Stock Corporation Act. Amendments to the Articles of Association become effective upon their entry in the Commercial Register (section 181 (3) of the Stock Corporation Act).

#### **Powers of the Executive Board to issue or buy-back shares**

The Executive Board leads the company and represents it towards third parties, as stated in the Management Reports. As described in the Management Reports pursuant to the Articles of Association, the Executive Board is authorised until 22 May 2011 to increase the Company's share capital, with the approval of the Supervisory Board, by up to € 10,000,000.00 through a one-time-only or repeated issuance of up to 10,000,000 bearer shares, against cash contributions and/or contributions in kind (authorised capital). For further details we refer to the specifications in the Management Reports. Authorised capital enables a fast and flexible response to market conditions.

Further, the Executive Board was authorised to issue option or convertible bonds up until 26 May 2007, or to take over the guarantee for such bonds issued by company subsidiaries, and to grant the owners or creditors of such bond options or conversion rights to new Company shares. For this purpose share capital was increased conditionally by up to € 750,000,000. It will not be used as the company did not issue option or convertible bonds up until 26 May 2007.

In addition the Executive Board was authorised to determine – with the Supervisory Board’s consent – further details regarding the execution of the conditional capital increase as well as the definition of the subscription rights, provided this is done in accordance with the resolution of the Annual General Meeting of 4 June 1999 (Conditional capital I/1999). Share capital is conditionally increased up to a nominal € 780,000.00, divided in up to 780,000 individual bearer share certificates (Conditional capital I/1999). This conditional capital increase serves the granting of subscription rights to members of the Executive Board and Company employees, as well as to members of executive management and employees of affiliated companies, in accordance with the resolution of the Annual General Meeting of 4 June 1999. Based on this authorisation up until now 542,529 subscription rights have been granted. These subscription rights expired without exercise by July 2005 at the latest.

The purchase of own shares of GFT is only allowed, if one of the circumstances regulated under section 71 (1) of the German Stock Corporation Act is present. As stated in the Management Reports the General Meeting did not pass a resolution regarding the purchase of own shares for the purpose of redemption of shares (section 72 (1) No. 6 German Stock Corporation Act) or regarding an authorisation to buy own shares pursuant to section 71 (1) No. 8 German Stock Corporation Act.

#### Agreements with Executive Board members in the event of a change of control of the company

The Supervisory Board has – according to usual market procedure – reached an agreement with members of the Executive Board in the event of a change of control (Change of Control clause), which is also valid for a takeover bid. This agreement is tied to a change in the control percentages at GFT AG. It determines contractually when exactly a change of control is present. The mere submission of a takeover is not included. The agreement covers changes in the legal or actual percentages that show an effect comparable to that of a change of control. For further details we refer to the Management Reports. The individually agreed-upon severance arrangements

should offset the disadvantages to Executive Board members resulting from a change of control. This arrangement is also helpful to procure qualified employees for top management.

#### 2006 Annual Financial Statements and Consolidated Financial Statements

The Annual Financial Statements for financial year 2006 were audited by the Grant Thornton GmbH Wirtschaftsprüfungsgesellschaft Hamburg, represented by its Stuttgart branch office. The General Meeting had elected the auditor on 23 May 2006, and the Supervisory Board awarded the auditing contracts. The auditor has appended its unqualified audit opinion to the Annual Financial Statements and the Consolidated Financial Statements for GFT Technologies AG, and to the Management Report and the Group Management Report for financial year 2006. The Supervisory Board was punctually provided with the complete documentation. Following a thorough examination and discussion of the results during the Balance sheet meeting on 26 March 2007, the Supervisory Board agreed with the results of these audits and approved the Annual Financial Statements and the Consolidated Financial Statements. The auditors were present at this meeting and reported in detail on the fundamental auditing results. Therewith the Supervisory Board has established the Annual Financial Statements.

The Supervisory Board would like to thank the Executive Board as well as all employees for their work in the past year. Through their personal commitment they have all contributed to the very successful closing of the financial year 2006.

Stuttgart, 26 March 2007

On behalf of the Supervisory Board



Franz Niedermaier



Founding years

1987-1992  
IT for specialists



Computer science remains an invisible science for many years, one to which only specialists have access. Communication between man and machine is complicated and cumbersome. Bits and bytes suddenly provide images by means of graphic representation – the computer begins to assume a friendly face and opens up to the dialogue with the user. This is how the idea for GFT was born: the development of innovative software solutions with simple, easily operated graphic user interfaces.

1990

GFT introduces the first of its own products in the market, **GRIT**. The development environment allows to develop graphic interfaces in a simple and uncomplicated way.

Applications can easily be transferred to other systems and need not be developed from scratch each time.

1987

Ulrich Dietz establishes GFT together with a partner in St. Georgen in the German Black Forest. The first innovative ideas are born in the Technology Centre.

1989

Universities and research institutes start running the **first Internet connections** in Germany.



1992

In June, the American librarian Jean Armour Polly publishes an article entitled "**Surfing the Internet**". She is the first to apply the water sports image to the new medium of information technology.

It is commonplace nowadays to speak of "**Surfing the Net**".

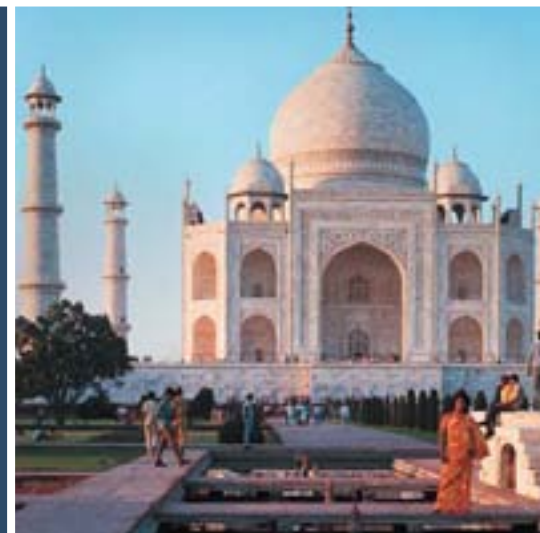


# 1987 to 1992

Founding years:  
IT for specialists



**1992**  
GFT sources development support from India: eight **Indian software developers** from Bangalore support the Black Forest company for several months in the area of software programming. This initial experience in international business is soon to be followed by others.



## Our Strategy

We have achieved one of our most important goals: GFT is back on the road to success. Our profitability has continuously increased in the past ten quarters and our financial stability has grown. With an eye to the future we initiated a new strategic programme in September that is to achieve lasting values for our clients, employees and shareholders. Its aim is sustained and profitable increase: “Smart Growth”.

This strategic programme aims to showcase our competitive advantages, attain solid growth in revenue and profits in the long term, and thus sustainably increase GFT's company value. In order to achieve this we are guided by our motto: “We concentrate on our clients and core competences.”

### **The competitive advantage: A unique portfolio**

GFT is different; trying to fit us into a ready-made pattern is not possible. Designating us as a system integrator, software producer or IT personnel facilitator is not necessarily wrong, but still off the mark. None of these describe fully what we do. It is the combination of these three operating fields that makes GFT unique and that differentiates us considerably from our competitors. With this portfolio, GFT is able to cover all the important levels of the value-added chain in the IT services sector, starting with the procurement and matching IT specialists, to the development and sale of innovative software products, and on to the implementation of IT projects of different magnitudes – nationally and internationally. This combination meets the needs of our clients very well since they require two things: quickly accessible external resources with which they can counterbalance their own personnel shortages, and strategic partners with whose help they can run their IT operations steadily and efficiently.

Our portfolio holds both challenges and opportunities. The largest challenge lies in implementing independent strategies for three different business models simultaneously and consistently. The opportunities lie in the fact that our three different segments complement each other so well that they open up new business possibilities for us. An important part of our revenue is earned through projects in which the client requests the assistance of two or even three of our operating fields – a sign that we are on the right track with this overall strategy.

### **Our objective: Long-term customer relationships with potential**

We place emphasis on long term collaborations and consider ourselves a competent and reliable partner to our clients. Once we have implemented a new system and put it into operation we turn our attention to its service and maintenance, and ensure that it is always kept up to date.

Our objective is to deepen and cement the relationships to our clients in the long term, and to tap their full sales potential. For this reason we work on sensibly selling complementary services from our portfolio, and on following international clients to countries where we have never collaborated before. We present new clients with our proven

competences primarily in industries with which we are familiar. A particularly fast entry provides the matching of IT specialists. As we gain insight into our clients' projects and potentials, the likelihood that we can win business with our other competences improves.

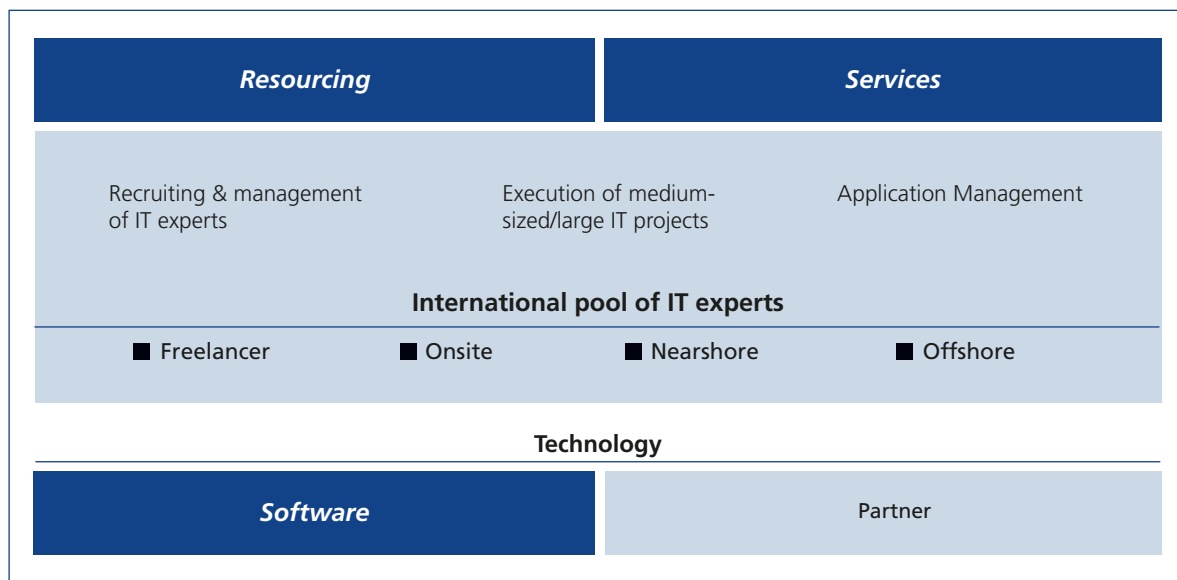
**Comprehensive service through an intelligent combination of business segments**

The interplay of our three divisions *Services*, *Resourcing* and *Software* opens up valuable synergy potentials for us. GFT's solutions portfolio covers the entire digital value-added chain: from the procurement of individual IT experts (*Resourcing*) to the implementation of large international IT projects (*Services*) and upon request, we utilise company-developed software products to optimise the business process (*Software*).

**Services: IT Services – reliable – international – direct**

With our technological and problem-solving skills we focus on companies in the financial and logistics services industries – two industries in which standardised IT solutions have been only partially implemented to date – and for this reason, they invest primarily in individual solutions. In order to implement these, many-years' experience and a deep understanding of the process and the market are an essential prerequisite. In the future, when standardised software components prevail more strongly in individual sectors, we will be able to integrate these into the company's existing IT landscape through the use of scalable software designs. Our clients – mostly large national and international corporations – appreciate and respect the fact that we possess these skills. They involve us in the IT-oriented strategy consulting process, they commission us with the development of applications and they entrust us with the maintenance and operation of their IT solutions.

**The GFT Value-Added Chain**



With an attractive cost structure we help our clients to reduce investment and operational costs. This is possible due to the interconnection of our international production centres in Germany, Spain, Brazil and India. We involve these locations in accordance with project conditions, time requirements and budget. Thanks to standardised and well-established software development processes across country borders, we are thus able to fulfil the highest quality standards. Individual solutions and customer-specific services are, as a result, generated in a particularly economic manner.

We possess the size and experience that is necessary to successfully implement extensive, cross-border projects. At the same time we are small enough to service our clients comprehensively, and to always support them with help and advice. We are represented by our offices in many European countries, and we are found on site wherever our local presence is required. We place great value on direct contact with our customers. As a team, from the Executive Board down to the project specialists, we feel a sense of responsibility. This self-image is succinctly expressed in one sentence: "Big enough to deliver – small enough to care".

In this division we will primarily achieve growth by continuing to expand upon existing customer relationships, and by systematically gaining new clients. Our objective as a strategic partner is to be one of our clients' top ten preferred suppliers. This would make large and long term projects accessible to us, and provide us with planning certainty in the future. We would thereby be in a position to invest, specifically and in the long term, in the expansion of industry knowledge and technological expertise.

#### **Resourcing: Staffing of personnel in the IT area – flexible – punctual – suitable**

We undertake the procurement and management of external IT skilled labour for other companies: from individual freelance IT specialists, all the way to small IT companies. We find and place the sought-after experts and take care of all administrative tasks that are part of the procurement process – quickly, routinely, transparently, and in a straightforward manner.

Our advantage: We draw from an extensive, worldwide pool of resources containing the profiles of skilled, freelance IT specialists – profiles and contact data that we continually update. This exceptional international network is our guarantee for filling open positions punctually and with the right specialists. An increasing number of clients continue to put their entire supplier management and contract management process in our hands. As a professional partner, GFT is eminently qualified for this task: We have the quality and the costs for the entire process under control.

With our services we are able to address large companies in diverse fields with an international scope, and thus reduce any dependence on the finance and logistics industries. To date, we are active in this business in Germany and France. In the present year we will penetrate these markets more forcefully. We will develop new potentials in the UK and Switzerland.

#### **Software: Optimisation of business processes – automated – pragmatic – innovative**

GFT also develops and implements its own software products. These support the automation of business processes and the archiving of documents – trends that are recognised by companies of all sizes and in all industries, all over the world. This is unsurprising as companies that digitalise, electronically process, and archive their incoming mail documents in an audit-proof manner are able to relieve qualified employees from routine tasks, accelerate reaction and throughput times and benefit from high transparency.

With our GFT *inspire* we offer a complete and powerful platform for the automation of business processes.

Our proposition is enhanced by standard solutions for the automated inputting of incoming invoices, the digital processing of incoming mail, as well as complaints and

claims management. What our clients especially appreciate is our innovative and pragmatic approach. Together with them we define and shape specific business processes, link different IT applications with one another and manage documents and data flows through clearly defined procedures. All of this adds up and allows for a quick return on investment (ROI).

As a supplier with many years of experience and a broad installation base, GFT is well-positioned across diverse industries in the European market. We will develop market potentials in other countries together with partners.

#### **Standards for us and our clients:**

##### **Economic success**

Technological possibilities fascinate us but are not, however, an end in itself. When we transform the visionary ideas and strategies of our clients into cutting-edge business models and innovative IT solutions, the economic success is what counts above all. It is the benchmark for our clients and for us.

##### **20 years of IT competence: A grown culture and corporate identity**

A supporting pillar of our success is a corporate identity that has grown and developed over 20 years – no small matter in our young industry. Our basic principles are formulated in a mission statement that helps our directors and employees to successfully master the challenges and opportunities presented by day-to-day business.

At GFT, reliability, flexibility and a pragmatic and proactive approach count for much. In accordance with this motto, we work day after day as a team, for and together with our clients. The rewards for our commitment are long-lasting and dependable partnerships from which all participants can benefit: our clients, our employees and our shareholders.

# GFT International

Globalisation is the result of technological progress. The growing networking of international markets is increasingly defining companies' strategies and working methods. This results in new opportunities yet, at the same time, companies are faced with sizable challenges. With its innovative IT solutions and the advantages of our international presence, GFT helps position its clients a step ahead of the global competition. We assert ourselves by using the advantages of our international presence.

## **IT solutions increase productivity and create global markets**

Business processes have never been as efficient as they are today: Digital data can be sent faster and more favourably around the globe than carrying stacks of paper from one office to another. This is an innovation with far-reaching economic effects. GFT's IT solutions support this development. They ensure, for example, that banks and insurance companies are able to efficiently manage international capital flows. With these solutions, our clients are able to increase their productivity and efficiency.

## **Expansion for growth and competitiveness**

We have also adapted our own business model to the conditions of the global network. Founded in Germany 20 years ago, we now have offices in seven countries and currently our IT solutions are implemented in more than 30 countries. Three fundamental reasons compel us to expand into new geographic regions. First of all, we seek to assist our clients, mostly multinational corporations who expect on-site support from their strategic suppliers. Secondly, we relish the opportunity to develop new markets and thirdly, new locations enable us to secure advantages to our competitive capacity. Examples of these are the high training standards in Germany, the combination of IT and industry expertise in Spain, the proximity to the international financial world in London, and the availability of experts and the economic wage levels in India and Brazil.

## **Cross-border cooperation**

As a result of globalisation, facilities in different parts of the world are moving closer together and barriers are increasingly disappearing. Even our facilities in Europe, South America and Asia are closely linked with one another. Individual IT solutions for our clients are developed in several steps and GFT employees all over the world work hand-in-hand as a team – almost around the clock. As a result, project run times are shortened and the speed of innovation is increased. Quality is ensured through uniform processes and project standards.

## **From idea to finished solution:**

### **Globalisation in motion – an example**

At GFT, international collaboration on a major project looks for example like this:

A major international bank, headquartered in the USA, plans to introduce a direct bank, under a new trade name, to continental Europe. The European main office contacts GFT in London with this idea – GFT is known as an established partner in the European financial industry. Between the branch office on the Thames, the competence centre for banking solutions in Barcelona, a few banking specialists in Frankfurt am Main, and the corporate main office in St. Georgen in the Black Forest, the lines are kept busy: e-mails are exchanged, telephone conferences are held, agreements are made in English.

Interest in the project is sparked. At first, GFT sends an experienced consulting team with expert financial services knowledge to this potential new client, who helps them to analyse and define requirements. With the support of the GFT team, joint workshops are held in order to understand the requirements in detail. As soon as these are concluded, a group of experienced GFT specialists from all over Europe gathers in Barcelona for an assessment meeting. Within the next three days they will conduct a detailed time and cost calculation, evaluate risks, and prepare an initial project plan – the basis for an estimate.

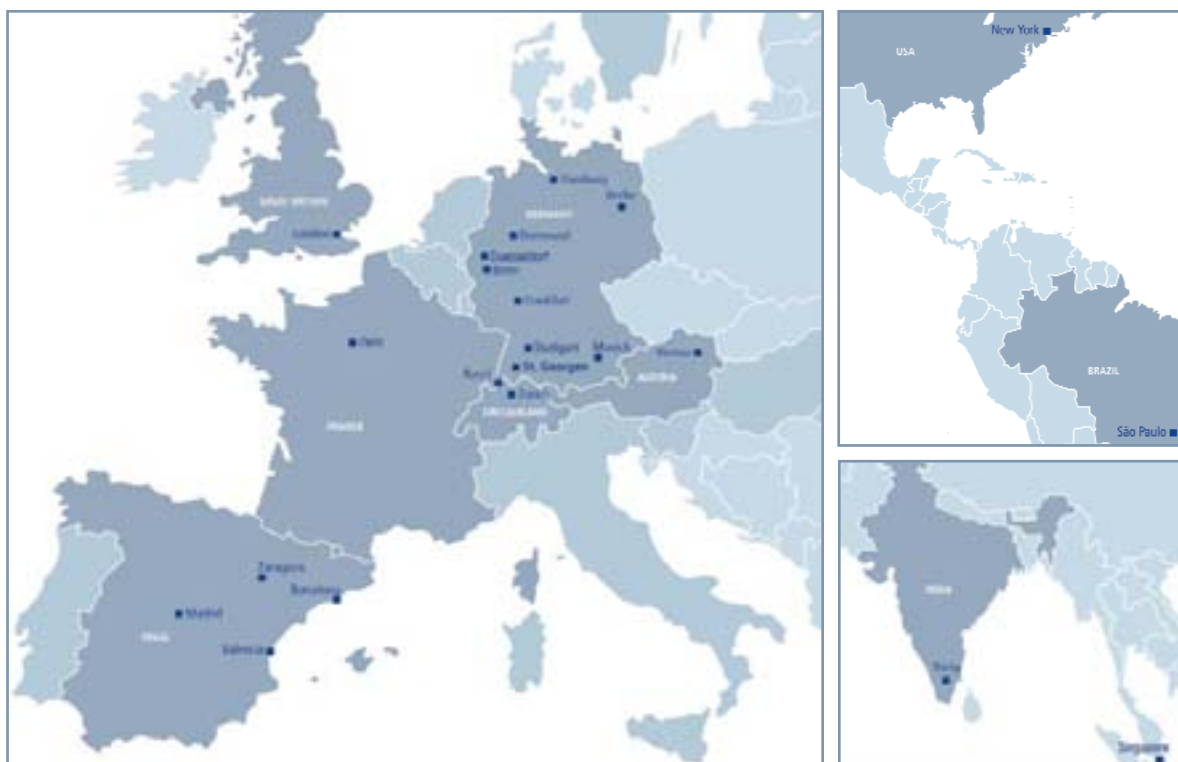
A team travels to New York to present to the decision-makers of the major bank, among them the head of the banking solutions division and, naturally, a GFT Board member in the event of major projects. A colleague who successfully implemented a similarly ambitious program two years before is presented as the possible project director. The perfect representative: He has been active for the last ten years in the IT business, worked previously in retail banking for a few years, and as an Englishman speaks the language of the client perfectly. The GFT team is able to impress with its competence, experience, and an attractive offer: the planned budget can be adhered

to through a suitable mix of competent specialists from different development facilities. This convinces the client and he commissions the project to GFT. The legal department in St. Georgen becomes involved in the subsequent contractual negotiations. At the same time, a team is assembled and work on the project can begin.

In Barcelona and London, the conception and architecture of the new bank is developed. A multi-channel solution is planned, through which the bank can contact its clients over the phone and over the Internet. The online portal should include investment fund, share, and certificate sections, as well as a section for emergency loans. It turns out that a basic module that we had developed for a similar project in Brazil can be reused here. This saves us time and money. The banking specialists in Spain take over the entire programming portion. A colleague in Frankfurt and one in São Paulo are consulted with special questions. The major bank's market strategists decide, at short notice, to integrate the UK, a country outside the original European zone, into the project from the outset. Additional support is requested, but at GFT all of the company's employees with the necessary knowledge are already engaged in projects. The Resourcing team in Frankfurt is able to help.

**Locations**

- Country with GFT locations
- Country with active client relationships



Within three days it has located the required experts and committed them to the project. After months-long development work, the program is ready. The result is put through its paces by GFT employees in Trichy, India. When our colleagues in India have gone home for the day, our Spanish employees take a look at their error reports and get to work. When the Indian employees jump in again in the morning, yesterday's problems have already been corrected. Just as the transactions platform for the new bank is launched (on time), GFT receives a piece of good news, as the client has been very satisfied with the project's progression and he also wants to entrust the future maintenance and servicing of the

system to the competence centre in Spain. There is great satisfaction on both sides; this is the start of a positive partnership.

It is a given that this type of collaboration requires discipline and the aspiration to work as ONE international team towards a common goal: specifically to offer the best customer service and to work efficiently at the same time. This is only successful when all participants adhere to the agreed-upon processes and standards. Our satisfied customers and our employees, who are enriched by this international collaboration, show that it is worth it.

## Nick Michaelsen Senior Consultant

for GFT in Hamburg and Barcelona, currently in Frankfurt



>> In Barcelona I was able to apply and deepen my knowledge of Spanish and the international banking environment. A key success factor for the local employees is their knowledge of more than one language – most of them know at least two. This allows for a connection to be made among colleagues, enabling project teams to collaborate successfully across and beyond country borders. <<

## Andreas Kopp Senior Project Manager

for GFT in St. Georgen, Dortmund, Munich and Barcelona, currently in Bonn

>> What I like about GFT? That we all tackle an issue together, and instead of searching for problems we search for solutions. I find it appealing that the company is continuously changing. The tasks, interfaces and challenges are multifaceted. This means that each working day is different from the last, and never boring. <<



**Eric Barthélemy** Managing Director  
for GFT in Eschborn and Barcelona, currently in Paris



>> At GFT we are confronted with different ideas, opinions and solutions, and we can challenge home-grown preconceptions. We have the unbelievable opportunity of having very easy access to other cultures; this is an opportunity that should not be passed up. <<

**Soumya Bhat** IT Consultant  
for GFT in Eschborn, currently in Stuttgart, worked in India before

>> A German supervisor provides the clearest directions for a project, but he Indian language is more diplomatic. In order for colleagues from countries as different as Germany and India to collaborate, it is important to understand each other's cultures. GFT offers training on intercultural competence to those employees who become involved in international projects for the first time. This helps to avoid misunderstanding from the outset. <<



**Santiago Expósito** Director  
for GFT in Barcelona, currently in Brazil



>> We work together across countries to develop software. I have access from anywhere to the company's digitalised cache of knowledge, through our shared Intranet, where you can find the current project results and reference architectures. This way, teams in different countries can easily exchange information. If I am still unable to find the answer that I need, I simply call one of my colleagues over the phone – regardless of which facility he is at. <<



Pioneer accomplishments

1993-1998

IT penetrates the working world



Simple IT applications, such as word-processing and spreadsheets, are already widely used in many companies. GFT now assists in planning and control of production and value creation processes. Data quantities increase. Distributed systems and PCs enable work to be decentralised, and become independent from large computer centres. The first companies discover the Internet as an additional sales channel and experiment with online shops, e-commerce solutions and online banking.



# 1993 to 1998

Pioneer accomplishments  
IT penetrates the working world



**1994**

Writable CDs are produced commercially for the first time. The small plastic discs establish themselves as the new, optical storage medium, replacing the diskette. Two years later CD burners become affordable for users and sell in record numbers.



## 1993

The **first major project** is commissioned: at the request of the Deutsche Bundespost (German Postal Service), GFT develops a production, planning and control system, which is implemented in over 60 mail sorting centres.

The White House and the UN start to use the Net to present themselves to the global public. The first browsers allow private users access to the Internet as well.

## 1997

German lawmakers adopt the signature law three years before the US, attracting attention worldwide in this cutting-edge role. The **digital signature** creates the conditions for legally binding business transactions in the Internet. Public institutions, too, offer this service. GFT starts up in Switzerland as a pioneer for e-government solutions.

## 1998

**On-line shopping** gradually increases in popularity, Amazon revolutionises book sales in Germany and Google is founded. The search engine helps users orient themselves in the growing flood of information.



## 1996

**Blue silhouette figures**, with the figurehead being a surfer, become the distinctive symbol for GFT.

GFT is fascinated by the **development language Java**. First on the market a year before, Java lays the foundation for multimedia applications. The company constructs a competence centre in Ireland for this area and thus, the first subsidiary outside of Germany is established.

## Our Staff

Employees from 34 different countries work together at 20 locations to achieve GFT's success. Their expertise, creativity, character, and motivation to deliver top performances are our company's share capital. GFT's opportunities rely on such diversity. We have accumulated IT knowledge and experience over a period of 20 years and, in addition to our innovative strength and quality, this is a key competitive advantage that our clients value. We develop outstanding solutions for them, solutions that often become the foundation for long term partnerships.

### Our growth defines our personnel management

Twenty years ago, GFT started out as a small IT start-up in the Black Forest. Today we are an international team with offices in different parts of the world. Almost three quarters of our employees work outside Germany.

Our organic growth for 2006 is also reflected in our personnel development: At the end of the year we had 1,057 employees – 76 more than at the same time the previous year. This trend will continue into 2007 as we further expand our team. To this end, we will hire both experienced specialists and college graduates who are willing to accept the challenges of IT in a committed and flexible manner. We offer our employees good prospects and enticing opportunities to realise their personal potential. In the current year we want to raise our profile as an attractive employer by implementing different measures.

For instance, in the current financial year we have initiated a targeted recruiting campaign. Since more than 80% of our employees are university graduates, we will also be present at several graduate conventions. Furthermore, we will use the technical advantages offered by the Internet more intensively than before, by expanding our online career portal.

### Permanent employees at year's end

year	quantity	
2002	1,090	
2003	1,058	
2004	1,039	
2005	981	
<b>2006</b>	<b>1,057</b>	

**Cross-linking our knowledge through international team play**

At GFT, our employees are able to practically implement and further develop their capabilities. We assemble our project teams in such a manner that everyone can benefit from them: Employees from different countries inspire one another, professionals with practical experience pass on their competence and expertise to young beginners, and experts from diverse industries and disciplines exchange their knowledge on proven methods and processes. By doing this, we can extract the maximum advantage from the 20 years of experience that GFT has accumulated.

We place great value on the continuous further development of our employees since the IT industry undergoes constant change and consistently presents new challenges. Our use of the latest technologies and methods accounts for our success as an innovative company. We guarantee our employees technical expertise as well as methodological and soft skills by offering individually-tailored training and continuing education programmes. These programmes make it possible for our employees to stay in step with the changes – or even be one step ahead. The “GFT Online Academy Learning Platform”(GOAL) is a building block in our continuous transfer of knowledge. Since the beginning of 2006, expert forums and knowledge databases have been made available group-wide and allow for the interchange of special knowledge over and beyond country borders. This is a critical contribution to increasing the competence of our employees, and is typical of our culture of ongoing learning.

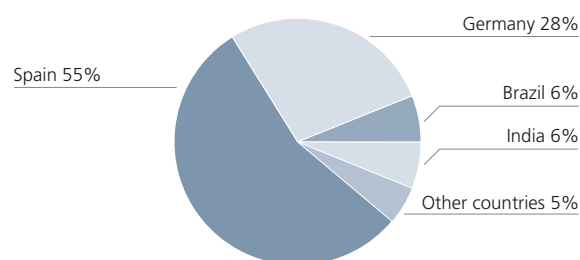
The project “Employees training employees” has also contributed to networking and making the specialised knowledge of GFT experts easier and more useful for everyone. At regular intervals, colleagues or a team of employees, provide insights into a specialised topic that is potentially interesting for everyone. This is done on a voluntary basis. The half-hour units are recorded and made permanently available as part of a library of building blocks of knowledge.

Additionally, we encourage international teamwork among our employees through international assignments and language courses. Diverse perspectives, experiences and intercultural competence are important prerequisites to supplying intelligent solutions for demanding clients.

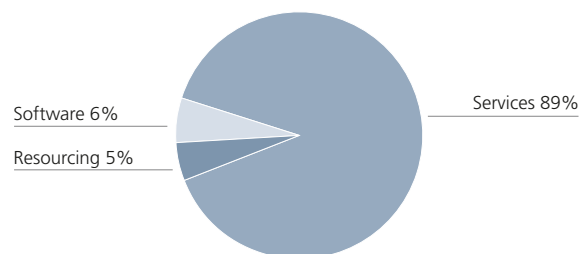
Quality assurance is another important aspect. In 2006 we gave our employees ongoing quality assurance training. In 2007 we will attain the next and third certification level for the process method, Capability Maturity Model Integration (CMMI, more details can be found in the chapter “Innovation and Development”, p. 32). It guarantees a consistently high quality in the development of software and systems over and beyond country borders.

With our “Office Days” we ensure that even those employees who primarily work on location at our clients’ facilities, are able to take part in internal training, workshops and discussion groups with management. These meetings generally take place once a month in one of our offices in different countries. The technical exchange of knowledge with co-workers as well as work on research and development projects are thereby encouraged.

**Employees by countries**



**Employees by divisions**



### **Career model encourages individual further development**

The forging of our employees' professional futures is not left to chance at GFT. Personal development is only possible with an established goal in mind. Therefore, individual career plans are developed at annual meetings and are continuously pursued.

Important prerequisites for motivated and personal commitment are individual areas of responsibility and the corresponding empowerment. Equally critical is reliable feedback. What worked well, what can be improved?

With our international career model we identify talent and consistently work on developing it. In 2006, we defined various career paths in accordance with personal strengths and preferences. Professional and social capabilities are influential in this regard. Regardless of whether our employees wish to work in management, expand upon their consulting skills, or specialise technically – we support each one of them in setting goals and achieving them. The path adopted in the process is not a one-way street however; should personal preferences and competences change, we work together to find a new path.

We provide each of our employees with a mentor who encourages his or her personal abilities and integration into the company. This mentor is also a contact person for the varying day-to-day project work, and acts as the intermediary between the requirements of the employee and those of the company.

Part of the career path can be, for example, a career-complementing second degree or postgraduate studies. In Germany we collaborate with Steinbeis University in Berlin for this purpose, and offer our employees the opportunity to earn a Master's degree from the MBA program offered by this university.

GFT also has contacts in the field of undergraduate studies. In collaboration with the Villingen-Schwenningen vocational academy we train junior employees. In addition, trainees, working students and interns can gain introductory experience. Some of our Spanish colleagues teach at the Escuela Superior de Administración y Dirección de Empresas (ESADE) in Barcelona, where we are also in contact with the IESE Business School. In 2007 we shall, in addition, seek direct contact with college graduates and will present at diverse college fairs in Spain and Germany.

### **Flexible work-hour models support the balance between work and personal life**

Internal balance is the requirement for committed and motivated work. With our offer of flexible part-time working models or longer leaves of absence, such as sabbaticals, our employees gain the necessary support to bring the right balance to career, family and leisure time. In addition to the employees, GFT also benefits from such models, since employees can then be engaged in a more flexible manner.

In 2006, approximately 10% of our staff took advantage of the opportunity to work part-time. Individual agreements are reached as to how many hours will be rendered, when, and especially where. Modern communication means and the Internet make it possible for our employees to work almost anywhere, even at home if necessary.

**Dialogue over and beyond country borders**

GFT distinguishes itself through an open corporate culture that is characterised by the diversity of its employees and nationalities. Distinct internal communication is an important prerequisite for cooperation over country borders and time zones to continue to perform efficiently.

Through the use of diverse communication means we can ensure the continuous flow of information between the domestic and international offices of the GFT Group. Every week, an internal GFT newsletter provides information on current projects, new employees, and much more. In 2006 we put into operation a group-wide electronic portal for all GFT employees. It is used intensively at various locations, and has established itself as an identity-forming information centre.

**Binding for all: Our core values**

In our core values, we have defined our clear expectations and formulated the challenge of our daily work. These values apply to all employees – independent of function or level of responsibility. They are a commitment to our customers, employees and shareholders, and represent a binding standard for all of us.

**Our diversity in figures:**

Employees (full-time positions):	1,057
Percentage of female employees:	32%
Average age:	35
Nationalities at GFT:	34

**In our actions we are oriented to common performance values:**

We are strong as one international enterprise. Our value is business and IT expertise as well as social competence. We use the right technologies for solutions that generate enthusiasm. We exceed the expectations of our customers. We are present when and where the customer needs us. Each of us keeps his promises. Each of us moves the company forward. We respect and esteem ourselves. We are proud of our results.



Boom times

1999-2004

Computer and Internet for all



The PC converts both image and sound. It develops multimedia capability and becomes affordable to the public at large. The Internet is booming as a sales platform. Computer and the Internet have entered people's homes and accompany them everywhere – even on trips. The boundaries between work and leisure, the private and the public sphere, are becoming increasingly blurred. People are able to communicate with each other around the globe.

1999

GFT ventures onto the stock exchange. The **success story** of the Internet company sparks interest from investors both domestically and abroad.

1999/2000

The world is alarmed by the potential **"millennium bug"** and works around the clock to ensure that software will be ready for the new millennium.

2001

GFT acquires emagine, an **IT subsidiary of Deutsche Bank**.

This provides GFT with a significant stimulus for growth and opens up the Spanish market to the company. GFT becomes the leading provider of integrated IT solutions for banks.



2003

GFT has built up an **international production model** with software development centres in Germany, Spain and Hungary. A location in India is added.



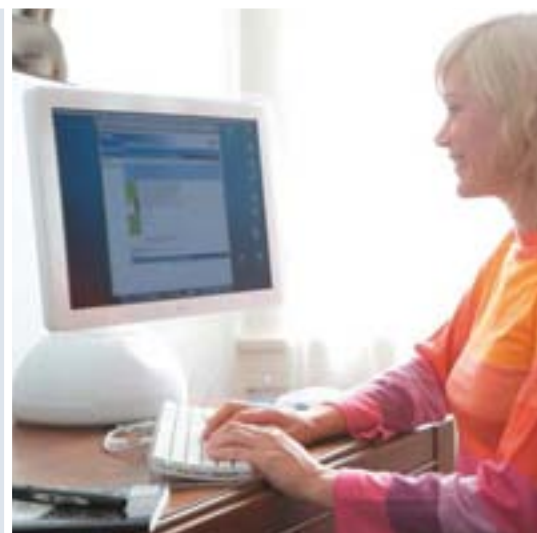
# 1999 to 2004

Boom times:  
Computer and Internet for all



## 2004

Web 2.0 describes a new mass phenomenon: citizen journalism. Users don't just access Internet content, but also create and design it. Content is commented upon and recommended to others. Social communities are formed, which in turn shape opinion.



# Innovation and Development

Information Technology (IT) is present everywhere, both in daily life as well as in business. The fascination with this young science, defines our day-to-day business. We continue to find it extremely interesting, even after 20 years, because innovations in the IT industry are an everyday occurrence. For this reason, we are already developing new visions for IT solutions with which we can provide competitive advantages to our clients in the future.

## Enhancing products by adding practical functions

Our IT solutions in the *Software* division are the basis for efficient Business Process Management (BPM). Through the control and configuration of business processes, our clients are able to digitally link and optimise their internal procedures with one another. This provides them with a decisive advantage over the competition.

With our GFT *inspire* BPM family of products, work processes can be designed, implemented and executed. We are always engaged in making new functionalities available. As an example, in 2004 we laid the foundation for a so called Service Oriented Architecture (SOA) and have consistently built upon it ever since. SOA supports Business Process Management in a technical sense: The sub-processes of an entire business process can be packaged together and offered as a service. As a result, structures gain flexibility and transparency which enable a quicker reaction to changes.

Thereby, IT works in the background, guided entirely by the requirements of the business processes, in accordance with GFT's motto "IT follows business." This is possible for all repeating processes. Complaints management is an example – at many companies this is a neglected source of potential for improvement. In fact, lots of companies make great efforts to satisfy dissatisfied clients as quickly

as possible, but seldom do they collect such data systematically and analyse it. To this end, in 2006 we developed the product GFT *inspire* Complaint Processing: The complaints are collected systematically through a Web form or a manual input mask, which is specifically tailored to the company's needs. Their processing is carried out in clearly-defined procedural steps. The systematic logging and analysis of all processes ensures that current data for the improvement of products and services is always available.

## Process innovations for our clients

A GFT team and Deutsche Post will for example ensure in the future that the Deutsche Post retail outlets proceed even more efficiently. GFT will be responsible for servicing the front end of their IT retail outlet system ZORA. Since the beginning of the year 2006, a continuous know-how transfer on the GFT team is therefore being proceeded. All services, from the purchasing of stamps to sending packages via DHL, from transactions at the Postbank to third-party services, can be provided at a single counter with the help of this IT application.

### **New solutions for new regulations**

The most modern technology alone is not enough. In order to achieve true added-value for our customers, we must also know how to implement it effectively. We have already successfully implemented numerous solutions at banks and insurance companies across Europe – for example for securities consulting, portfolio management, or commerce. The well-founded knowledge of our experts on the characteristics of the financial markets in individual countries, the internal processes of financial services providers, and the structuring of efficient IT solutions, are all critical to such success.

Part of this is also the examination of new statutory regulations. In 2006, the European Union enacted the Markets in Financial Instruments Directive (MiFiD). It aims to bring about the harmonisation of the financial markets in the European Single Market, and includes additional provisions for the protection of investors, improved transparency in the financial markets, and the integrity of financial services providers. We are experts in the topic of MiFiD and are working to implement the necessary measures with our clients.

### **Leadership through overall quality management**

We have placed high expectations on ourselves and our work. We are continuously evolving in the planning, execution and control of projects for software development. In 2005 we were able to achieve the second capability level for CMMI, an internationally-recognised process model for software and system development. On the basis of this model we have established standards for the planning, execution and monitoring of projects, and we improve our processes continuously. More than 400 employees have been trained accordingly. In 2005 we achieved Level 2 for CMMI certification; we are now aiming for Level 3 and have already achieved key successes: Regardless of the GFT facility at which software modules are developed, they always carry the same high quality and are programmed and documented according to uniform standards.

### **Bundling competences**

In developing our products we always place an emphasis on the best and newest technologies, architecture, and software components. In order to continue developing more efficiently, we have, since 2006, been bundling our competences into the company-wide GFT Technology Office (GTO). GFT encourages the exchange of software development know-how across all of its facilities. Thanks to this central facility we can use synergies even more effectively, we can foster global and domestic partnerships more intensively, and we can benefit from an improved IT infrastructure.

### **Promoting research**

Our cooperation with universities and research institutes continues to give us incentives for new developments, and vice versa. Together with the Karlsruhe Technical University, for example, we are developing new methods to ensure the quality of our software development.

Within the scope of our membership in the working group SOA Technologies of the BITKOM (German Association for Information Technology, Telecommunication and New Media e.V.), we are presently planning a competition among universities at which processes are to be optimised through SOA in virtual and real companies.

### **GFT in the year of informatics**

The development in the IT industry is moving forward very quickly and is also gaining increasing importance in politics. In November 2006, Chancellor Angela Merkel convened a national IT summit. GFT participated in its preparation, within the framework of the IT and medium-sized-company working groups. Its objective was the continued improvement of the quality of information technology in Germany, within an international competitive market.

In addition, 2006 was the year of informatics, and revealed new trends for digital day-to-day life. We are at the helm of the corresponding developments. An example is in the area of mobile solutions, concerning the calling-up of information from company networks from anywhere, independent of platform and in a user-friendly manner. We are working toward this objective. “intelligent scripts” or “model-driven software development” are terms with which our specialists are currently engaging themselves.



The future in view

2005-2007

Digital and mobile without limits



Multimedia end terminals with practically unlimited communication capabilities determine our daily routine: notebook, cell phone, camera, music player, electronic calendar and address book become one, the connection with the worldwide web happens wireless. This establishes mobility without borders and creates independence. People of all ages around the world benefit thereof both commercially and privately. GFT not only creates solutions with future capabilities, but exploits these opportunities itself.



2005  
to 2007

The future in view:  
Digital and mobile  
without limits

## 2005

GFT wins **the biggest order in its corporate history**: modernisation of IT applications of a leading financial service provider in Brazil. The company thus grows beyond the European market and establishes its first branch in São Paulo.

## 2006

GFT becomes one of Germany's **leading suppliers** of external IT service providers. The Resourcing segment expands into the French market.



## 2007

GFT celebrates its 20th anniversary. Information technology has changed our lives over 20 years and continues to do so. This state of permanent change characterises our work and, at the same time, **enthusiasm for technology** provides new impetus again and again.

## GFT Share

Last year, GFT shares profited initially from the boom in the international capital markets. Following the general correction in May, however, it recovered more slowly than the market. This price trend does not reflect the significant growth in revenue and income that GFT increased from quarter to quarter, up to a five-year high in 2006. For this reason, we have intensified our efforts to bring awareness to capital market participants of GFT's growth story.

### **A friendly climate sustained in the capital market**

The international stock markets also continued growing in 2006; even a marked correction in May was unable to negatively influence the upward trend. The German Stock Exchange (DAX) sank temporarily from more than 6,100 points to less than 5,300. Investors were nervous, interest and inflationary fears dominated the market. In the USA, weaker economic growth emerged. In addition, high oil prices cut down corporate profits. However, broad optimism soon overrode these concerns. As a result, as of 31 December 2006 the DAX increased by 22% to 6,596.92 points, performing as well as in its best stock market year to date (2000). German tech shares performed even better in 2006: The leading share index Tec-DAX grew by approximately 25%. The American stock market developed less dynamically. In fact, although the Dow Jones closed near to its all-time high, its plus rate of 16% did not meet the levels of the German leading index. The US NASDAQ improved by 10%.

### **The GFT share in the course of the year: A strong start, restrained performance towards the end of the year**

After a moderate change of fiscal year, the GFT share initially sustained the positive development of 2005. Starting with a price of € 2.66, it entered 2006 very promisingly. Until the beginning of May, it registered a gain of 53% and increased to an annual peak of € 4.07. The general market correction in May was followed by a downward

trend to a temporary low of € 2.24 in July. While the market went back on course relatively quickly, the recovery of the GFT share only held in the short term. At the start of August it had climbed up to an intermediate high of € 2.89 and then fell continuously until it reached its yearly low of € 2.14 on 11 October. Afterwards it increased by 18%, but was still unable to compensate for the earlier price losses. The GFT share closed at the end of the year with a price of € 2.52, 5% below its starting value. In 2006, the market capitalisation of GFT decreased accordingly by € 5 million to € 66 million. Stimulated by the positive mood in the stock markets, the GFT share started the current year at € 2.53, and increased until the end of February by 26% to € 3.18.

### **Equity Story with a new quality: Sustained growth**

This price trend doesn't yet commensurably reflect the visible successes that we have achieved in the past financial year. Financial analysts agree with us here. Once again we have improved significantly our pre-tax result which has been positive since the middle of 2004. In the meantime, the pre-tax return totals 3.8%. Our robustly increasing profitability and growing revenue are based on solid, organic growth and targeted acquisitions: GFT has been successful in achieving a sustained reversal of its operating trend. Furthermore, the business sectors that we service hold interesting growth potential, which we plan to utilise. Our equity story has gained a recognizable new quality.

### Reinforced dialogue with the capital market

We are working intensively on delivering this message to the market and to make investors aware of our stock. Last August we presented GFT at the DVFA's 4th SCC Small Cap Conference, and in November we presented our company to the German Equity Forum of the Deutsche Börse AG. Every quarter, we explain and discuss our business results with financial analysts and journalists in the course of telephone conferences. Furthermore, our CEO and CFO hold regular talks with representatives of the capital market and of the financial press. In 2007, we will again seek increased contact with institutional investors and financial analysts at investor conferences and road shows. The positive response that we obtained in February 2007 at a road show in London encourages us to do so.

### Forums for shareholders: The General Meeting and the Internet

An important forum for discussions between private investors and the Executive Board is the Annual General Meeting. On 23 May 2006, the General Meeting took place for the seventh time at the Haus der Wirtschaft in Stuttgart. Approximately 200 participants used this opportunity to personally inform themselves about the company, and to exercise their shareholder's rights.

We are also providing extensive information about our company and our stock in the GFT website on the Internet. Interested investors can, via the Investor Relations tab, subscribe to current press releases and official disclosures in the form of email newsletters. We are also happy to promptly reply to inquiries that reach us in writing or by telephone.

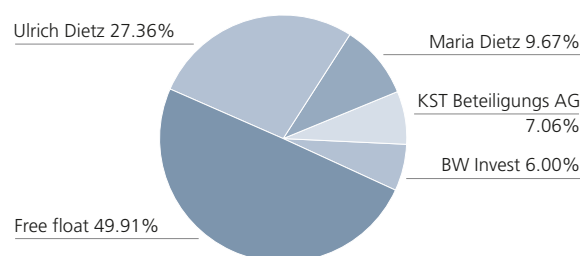
### Company officers invest in GFT stock

In the course of the financial year, the three Members of the Executive Board as well as the Chairman of the Supervisory Board purchased a total of 441,889 GFT shares. Ulrich Dietz, increased his shareholding during the remainder of the year by 1.32 percentage points (346,889 shares) and now owns a 27.36% stake. Together, Ulrich and Maria Dietz hold a 37.03% stake. This is the reason why GFT is listed in the German Entrepreneurial Index (GEX), a market index that is comprised of German owner-operated joint-stock companies.

### Shareholding structure and trading volume: Interesting for institutional investors

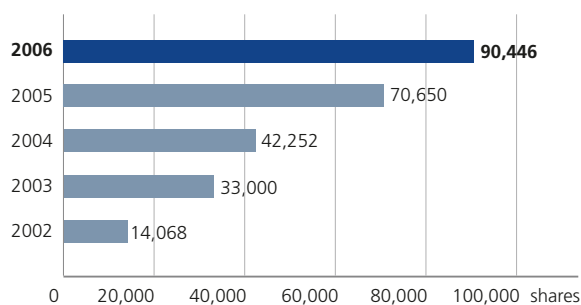
In 2006, institutional investors with substantial shareholdings joined the members of the founding family. At the start of the year, KST Beteiligungs AG used a re-placement, in which the Deutsche Bank sold its shares, as a form of entry. It acquired shares amounting to 7.06%. With the merger of two investment companies, the Baden-Württembergische Investmentgesellschaft mbH (BW Invest) achieved 6.00%, exceeding the 5% voting rights threshold.

### Shareholding structure



This shift in the shareholding structure evidently stimulated the trading volume. While in 2005 an average of 70,650 shares were traded daily on the XETRA electronic trading system and on the Frankfurt floor, in 2006 the daily average was 90,446 shares. Within the past two years, liquidity has more than doubled. This is a positive trend. The higher the liquidity of a security, the more rewarding it becomes for institutional investors. Ultimately, liquidity is also the requirement for quick and economic transactions of larger positions.

### Development of the trading volume



### Improvement in earnings per share

Earnings per share were improved according to IAS 33. They total € 0.19 compared to € 0.04 the previous year. The distribution of a dividend is not planned.

### Contact

Are you interested in GFT shares or do you have any queries? Our Investor Relations department will be happy to provide you with further information:

GFT Technologies AG

Andrea Wlcek

Manager, Investor Relations

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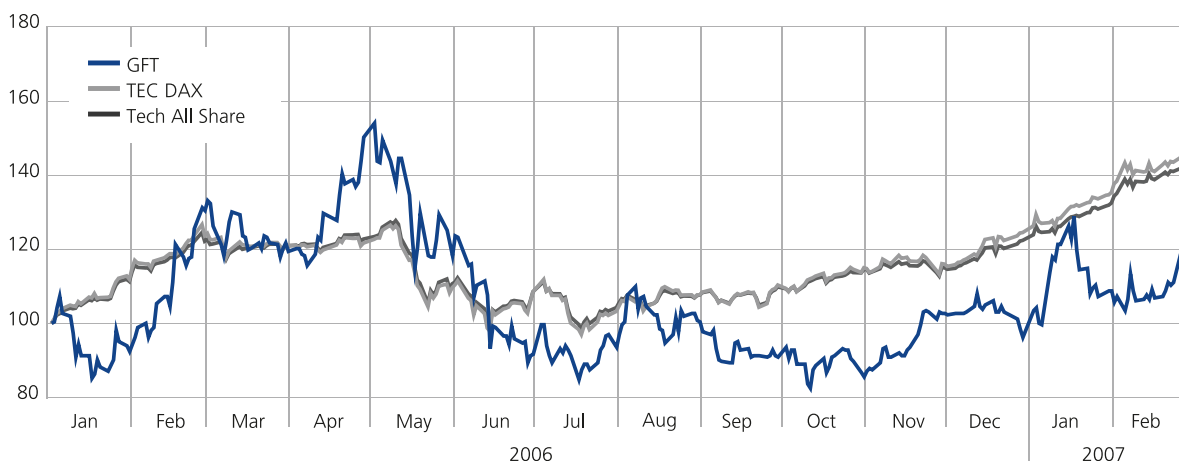
### Information on the GFT share

ISIN	DE0005800601
Beginning of official quotation	28 June 1999
Market segment	Prime Standard
Indices	German Entrepreneurial Index (GEX) Stuttgarter Aktienindex (SAX)
Designated sponsor	HSBC Trinkaus & Burkhardt AG
Institutions that regularly publish financial analyses of GFT	HSBC Trinkaus & Burkhardt AG SES Research GmbH
Number of issued bearer shares with par value of € 1 per share	26,325,946

	2006	2005
Opening price at the beginning of the year	€ 2.66	€ 1.60
Closing price at year end	€ 2.52	€ 2.70
Value change	- 5%	+69%
High	€ 4.07 (2 May 2006)	€ 2.82 (27 December 2005)
Low	€ 2.14 (11 October 2006)	€ 1.66 (5 May 2005)
Market capitalisation as of 31 December	€ 66 m.	€ 71 m.
Average daily trading volume (shares)	90,446	70,650

**Development of the GFT share**

indexed (Basis 2 January 2006 = 100%)



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**Development of the GFT share**

in €



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# Corporate Governance Report pursuant to Number 3.10 of the Code

Our corporate activity is based on the principles of responsible, efficient, and transparent corporate administration and management. It is focussed on the creation of value. The fundamentals of good corporate governance have always been of great importance to us and are reflected in our work. The Executive and Supervisory Boards work together closely and trustingly to this end. Our goal is to sustainably merit the confidence of our shareholders, clients, partners and employees.

## **Executive Board**

The GFT AG Executive Board is comprised unchanged of three members. The Board is responsible for managing the company and conducting business in accordance with the law, the Articles of Association, and the rules of procedure. Its principal tasks include the development and implementation of company strategies, the management of the Group, and the planning and guarantee of an efficient risk management and control system. The duties and responsibilities of each of the Board members are defined in the Executive Board's rules of procedure.

In performing its work, the Executive Board is in close consultation with the Supervisory Board and informs its members regularly and comprehensively of ongoing business development, the financial and earnings situation, the implementation of plans and attainment of goals. The Executive Board obtains the Supervisory Board's prior agreement in the case of special operations that are specified in the rules of procedure. The Chairman of the Executive Board coordinates the Executive Board's work and is in regular contact with the Chairman of the Supervisory Board. In this respect, he keeps the Chairman of the Supervisory Board abreast of developments that are important in evaluating the company's situation, and of all other events of fundamental importance.

The Executive Board's report can be found on pages 2 and 3 of the Annual Report. Conflicts of interest relating to Number 4.3 of the German Corporate Governance Code, did not occur in the 2006 financial year.

## **Supervisory Board**

Our Supervisory Board is comprised of six members. They monitor the Executive Board in the administration of the Company and provide it with consultancy support. The Supervisory Board relies on the law, the Articles of Association and its rules of procedure for these tasks. The Supervisory Board is responsible for appointing and dismissing members of the Executive Board, determining the remuneration for Board members, approving the annual financial statement, and for approving certain business operations that are specified in the rules of procedure of the Executive Board. Together with members of the Executive Board they plan their long term succession. Based on its manageable size and the competence of its members, the Supervisory Board again abstained from the formation of committees this year. The Supervisory Board was last elected at the 2004 Annual General Meeting for a five-year office term. The term of office is the same for all members of the Supervisory Board. At the start of the year, Dr. Peter Opitz was appointed to the Supervisory Board by the Villingen-Schwenningen District Court. He was elected by the Supervisory Board as deputy Chairman of the Board. He replaces previous Board member Dr. Markus Kerber who left the Supervisory Board on 31 December 2005.

The Supervisory Board audited its efficiency on 11 December 2006 and determined that the company is managed efficiently and professionally. The "Report of the Supervisory Board" on pages 4 to 7 provides information on the significant issues and decisions covered during the Supervisory Board meetings held in the last financial year. Outside of these scheduled meetings, the Chairman of the Supervisory Board has regularly discussed all essential developments with the Chairman of the Executive Board and kept him abreast of all important events.

Conflicts of interest relating to Number 5.6 of the German Corporate Governance Code did not arise in financial year 2006.

### Remuneration of members of Executive Board and Supervisory Board

#### Executive Board

The remuneration of members of the Executive Board is composed of fixed compensation and profit-related components that are assessed on the basis of the Group's revenue and results, as well as on the personal goals agreed upon with the individual members. In addition, remuneration of each of the members also includes the provision of a company vehicle for private use and, in two cases, contributions granted toward retirement pensions within a customary coverage framework. A retroactive change of the contribution amounts is excluded. Stock option programmes or similar securities-oriented incentive systems do currently not exist.

The total remuneration for members of the Executive Board totalled € 1.432m. in the past financial year. On 23 May 2006, the Annual General Meeting of GFT Technologies AG resolved that the remuneration for individual Executive Board members should not be disclosed (opting out). In this respect, we are retaining our existing reporting structure.

#### Supervisory Board

The remuneration of members of the Supervisory Board is regulated in the Articles of Association, and is exclusively composed of fixed compensation. The remuneration for Supervisory Board members was adapted, with the approval of the Annual General Meeting on 23 May 2006, to the increased requirements pertaining to skill and responsibility, as well as to the market environment. The following table specifies the figures for each Supervisory Board member. Additional benefits or remuneration for personal services rendered, in particular for consulting and referral services, were not granted.

Members of the Supervisory Board	Remuneration for financial year 2006 in €
Franz Niedermaier	22,000
Dr. Peter Opitz	16,500
Prof. Dr. Gerhard Barth	11,000
Dr. Thorsten Demel	11,000
Dr. Simon Kischkel	11,000
Ingrid Schmidt	11,000
<b>Total</b>	<b>82,500</b>

There are also no stock option programmes or similar securities-oriented incentive systems in place for the Supervisory Board.

#### Open communication with market participants

In order to ensure a high level of transparency for all market participants, we disclose all information relevant to the business in a timely manner and report regularly on our business results. All information is made available concurrently in German and in English. On our website, located at [www.gft.com](http://www.gft.com), you can also find detailed information on our Corporate Governance practices in the Investor Relations pages.

In addition to continuous reporting we provide information concerning fundamental business changes through press releases, ad-hoc communications, and on our website. We respond to increasing investor protection and corporate integrity requirements by forming special teams on an as-needed basis. These teams act in the interest of higher transparency for all market participants.

The ownership of shares in our Company by members of the Executive and Supervisory Boards, as of 31 December 2006, is shown in the following table:

<b>Members of the Executive Board</b>	<b>Number of shares</b>	<b>Members of the Supervisory Board</b>	<b>Number of shares</b>
Ulrich Dietz	7,203,129	Franz Niedermaier	30,000
Marika Lulay	20,000	Dr. Peter Opitz	-
Dr. Jochen Ruetz	100,000	Prof. Dr. Gerhard Barth	-
<b>Total</b>	<b>7,323,129</b>	Dr. Thorsten Demel	-
		Dr. Simon Kischkel	1,302
		Ingrid Schmidt	1,000
		<b>Total</b>	<b>32,302</b>

### Directors' dealings pursuant to number 6.6 of the Code

For the financial year 2006 the following purchases and sales of GFT shares by members of the company's Executive and Supervisory Board, as well as by other personnel in management positions, were reported according to section 15a of the German Securities Trading Act (WpHG):

<b>Trade date</b>	<b>Name</b>	<b>Position/ area of responsibility</b>	<b>Designation of the financial instrument</b>	<b>WKN/ ISIN</b>	<b>Transaction type</b>	<b>Quantity/ nominal value</b>	<b>Price/ currency</b>
24 May 2006/ off-market	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	100,000	€ 2.30
24 May 2006/ Stuttgart	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	10,000	€ 3.05
24 May 2006/ Stuttgart	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	2,000	€ 3.00
24 May 2006/ Stuttgart	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	1,000	€ 3.05
24 May 2006/ Stuttgart	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	3,000	€ 3.10
24 May 2006/ Frankfurt	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	2,000	€ 3.13
24 May 2006/ Stuttgart	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	2,000	€ 3.14
24 May 2006/ Frankfurt	Franz Niedermaier	Chairman of the Supervisory Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	10,000	€ 3.10
7 June 2006/ XETRA	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	10,000	€ 3.00
8 June 2006/ Frankfurt	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	10,000	€ 2.90
9 June 2006/ XETRA	Franz Niedermaier	Chairman of the Supervisory Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	1,100	€ 2.93
9 June 2006/ XETRA	Franz Niedermaier	Chairman of the Supervisory Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	2,000	€ 2.94
9 June 2006/ XETRA	Franz Niedermaier	Chairman of the Supervisory Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	6,900	€ 2.95
13 June 2006/ Frankfurt	Marika Lulay	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	5,000	€ 2.77

Trade date	Name	Position/ area of responsibility	Designation of the financial instrument	WKN/ ISIN	Transaction type	Quantity/no minal value	Price/ currency
14 June 2006/ Frankfurt	Marika Lulay	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	5,000	€ 2.52
19 June 2006/ XETRA	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	41,050	€ 2.56
20 June 2006/ XETRA	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	25,500	€ 2.53
20 June 2006/ XETRA	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	3,449	€ 2.51
20 June 2006/ Frankfurt	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	6,551	€ 2.56
21 June 2006/ Frankfurt	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	1,700	€ 2.51
21 June 2006/ XETRA	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	8,300	€ 2.51
22 June 2006/ XETRA	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	11,000	€ 2.55
22 June 2006/ XETRA	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	22,000	€ 2.56
23 June 2006/ XETRA	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	5,000	€ 2.54
23 June 2006/ Frankfurt	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	3,450	€ 2.51
26 June 2006/ Frankfurt	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	2,000	€ 2.50
26 June 2006/ XETRA	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Sale of shares	11,000	€ 2.50
7 July 2006/ XETRA	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	10,000	€ 2.42
21 September 2006/ XETRA	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	1,338	€ 2.34
27 September 2006/ XETRA	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	4,392	€ 2.40
28 September 2006/ XETRA	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	4,270	€ 2.40
10 October 2006/ XETRA	Dr. Jochen Ruetz	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	10,000	€ 2.42
11 October 2006/ Frankfurt	Marika Lulay	Member of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	5,000	€ 2.15
4 December 2006/ off-market	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	150,000	€ 2.70
7 December 2006/ off-market	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	50,000	€ 2.72
11 December 2006/ off-market	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	82,500	€ 2.71
22 December 2006/ off-market	Ulrich Dietz	Chairman of the Executive Board	GFT shares	580060/ DE 000 580 060 1	Buy of shares	75,389	€ 2.70

**Corporate governance in practice**

Our compliance officer ensures that the guidelines and processes established in the Code and in the rules of procedure are also observed by our domestic and international subsidiaries. Legal requirements in specific countries, as well as generally recognised processes that have been proven in practice, are sensibly supplemented and expanded upon by the Code. Rules of procedure that ensure the implementation of the Corporate Governance guidelines have proven effective in the individual companies.

**Enhancements to the Code are incorporated**

The changes made to the Code in 2006 that resulted partly from various new legal requirements, have been discussed, evaluated and integrated into our internal and external processes in a timely manner.

An internal Corporate Governance officer will continue to ensure compliance with the rules of the Code and will report regularly to the Supervisory Board on current developments.

**Commentary regarding deviations from the Code**

The following Declaration of Conformity also includes explanations for the deviations from specific recommendations.

**Corporate Governance in the internet:**

<http://www.gft.com/ir>

Corporate Governance at GFT

<http://www.corporate-governance-code.de>

Complete wording of the German Corporate Governance Codex as well as further information.

**Declaration of Conformity of GFT Technologies regarding the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act** (as of 14 December 2006)

**1. GFT Technologies will comply in the future with all recommendations of the "Government Commission's German Corporate Governance Code" in its version of 12 June 2006, with the exception of the following departures:**

4.2.4. *"The total compensation of each member of the Management Board is to be disclosed by name, divided into non-performance-related, performance-related and long term incentive components, unless decided otherwise by the General Meeting by three-quarters majority."*

On 23 May 2006, the Annual General Meeting of GFT Technologies AG resolved through a three-quarters majority that the remuneration for individual Executive Board members should not be disclosed.

4.2.5. (3) sentence 1 *"The substantive content of severance awards for Management Board members shall be disclosed if in legal terms the awards differ not insignificantly from the awards granted to employees."*

GFT AG will continue to not disclose the content of severance awards in the event of completion of duties as a member of the Executive Board.

**5.3 Formation of Committees**

With regard to the manageable size of the Supervisory Board, GFT AG generally abstains from the formation of committees. This guarantees an efficient performance and complete information of all members of the Supervisory Board.

5.4.7. (2) *"Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long term performance of the enterprise."*

The members of the Supervisory Board of GFT Technologies AG receive exclusively a fixed remuneration.

**2. Since the last Declaration of Conformity on 15 December 2005, GFT Technologies has complied with all recommendations of the "Government Commission's German Corporate Governance Code" in its version of 2 June 2005, with the exception of the following departures:**

4.2.4. *"Compensation of the members of the Management Board shall be reported in the Notes of the Consolidated Financial Statements subdivided according to fixed, performance-related and long term incentive components. The figures shall be individualised."*

The remuneration for the Executive Board will be shown as a whole and divided, if necessary, into cash payments and components with long term stimulating effects (e.g. stock options).

**5.3. Formation of Committees**

With regard to the manageable size of the Supervisory Board, GFT AG generally abstains from the formation of committees. This guarantees an efficient performance and complete information of all members of the Supervisory Board.

5.4.7. (2) *"Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long term performance of the enterprise."*

The members of the Supervisory Board of GFT Technologies exclusively receive a fixed remuneration.

St. Georgen, 11 December 2006



Franz Niedermaier  
Chairman of the Supervisory Board

# Management Report and Group Management Report

for GFT Technologies AG as of 31 December 2006

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## 1 Operating Activities

GFT was founded in 1987 and can look back on a 20-year company history. At the end of 2006 there were 1,057 employees in seven different countries working for GFT Technologies AG (GFT AG) and its Group-affiliated companies. Since 28 June 1999, GFT AG has been listed in the stock market and its shares (WKN 580 060) are listed on all German stock exchanges.

GFT is a European supplier of innovative IT solutions. With its three business segments, the Group covers the entire value-added chain in the IT services sector.

In the *Services* division, innovative IT applications are first conceived and then developed. After implementing its IT solutions, GFT also takes over their operation and maintenance. Well-founded project and technological experience as well as comprehensive industry competence in the financial and logistics services sectors, make GFT a favoured IT partner for reputable companies domestically and abroad.

The *Resourcing* division covers the facilitation of IT specialists to companies in all industries. GFT also offers large companies the management of their IT services providers. In the *Software* division, GFT develops and implements GFT software products that allow companies from all branches to digitalise and automate document-based business processes.

GFT AG is the controlling company of the GFT Group and is operationally active at the same time. It determines the Company's strategy and manages the other legally independent Group companies, both within and outside Germany. As a parent company, GFT AG makes comprehensive administrative functions available to the individual subsidiaries. GFT is geared strategically toward sustained, profit-oriented growth, with the goal of increasing the Company's value in the long term. The operational control is carried out across offices and countries, over three business divisions that represent GFT's fields of competence. The operational success of GFT's strategic implementation measures the Company with regard to revenue, earnings before taxes (EBT), and further contribution margin rates. In terms of the non-financial performance indicators, the Company observes, above all, the development of the following factors: Firstly, employee satisfaction, which is assured through strategic Talent Management and collected as part of regular feedback conferences. Secondly, customer

satisfaction, which is conveyed by the status accorded GFT by its customers as a strategic supplier and partner. Thirdly, the quality of our internal processes and development costs, which are systematically analysed as part of the CMMI (Capability Maturity Model Integration) process model.

## 2 Legal Framework Conditions

### 2.1 Information pursuant to sections 315 (2) No. 4, 289 (2) No. 5 of the German Commercial Code (HGB)

#### Principles of the remuneration system for the Executive and Supervisory Boards

**Executive Board:** The remuneration of members of the Executive Board is composed of fixed compensation and results-related components that are assessed on the basis of the Group's revenue and results, as well as on the personal goals agreed upon with the individual members. In addition, remuneration for each of the members also includes the provision of a company vehicle for private use and, in two cases, contributions granted towards retirement pensions within a customary coverage framework. A retroactive change of the contribution amounts is excluded. Stock option programmes or similar securities-oriented incentive systems do not currently exist. During the past financial year, the total remuneration for members of the Executive Board totalled € 1.432m. (prev. year: € 1.196m.). On 23 May 2006, the Annual General Meeting of GFT Technologies AG resolved that the remuneration for individual Executive Board members should not be disclosed (opting out). In this respect, we are retaining our reporting structure to date.

**Supervisory Board:** The remuneration for members of the Supervisory Board is regulated in the Articles of Association, and is exclusively composed of fixed compensation. The remuneration for Supervisory Board members was adapted, with the approval of the Annual General Meeting on 23 May 2006, to match the increased requirements pertaining to skill and responsibility, as well as the market environment. Each member of the Supervisory Board receives a compensation of € 11,000 per year. The Chairman receives twice this amount, and his deputy receives 1.5 times this amount. During the past financial year, the remuneration for members of the Supervisory Board totalled € 82,500. (prev. year: € 56,250). Additional benefits or remuneration for personal services rendered, in particular for consulting and referral services, were not

granted. There are also no stock option programmes or similar securities-oriented incentive systems in place for the Supervisory Board.

## **2.2 Information pursuant to sections 315 (4) and 289 (4) of the German Commercial Code (HGB)**

**Structure of the share capital (No. 1):** As of 31 December 2006 the Company's issued share capital amounted to € 26,325,946.00 (no change from the previous year). It is divided into 26,325,946 bearer shares. The proportionate amount of share capital allocated to each share totals € 1.00. All Company shares were issued as ordinary bearer shares without nominal value (no-par shares). All shares grant equal rights. The rights and obligations imparted by the shares conform with the German Stock Corporation Act.

**Shareholdings which exceed 10% of the voting rights (No. 3):** As of 31 December 2006, the Company is aware of the following direct equity participations that exceed ten percent of the voting rights: Mr. Ulrich Dietz (Chairman of the Executive Board) holds 27.36% of the GFT shares (prev. year: 26.04%).

### **Rules governing the appointment and replacement of Executive Board members (No. 6):**

The appointment and replacement of members of the Executive Board is regulated in sections 84 and 85 of the German Stock Corporation Act. The German Corporate Governance Code regulates further principles concerning the appointment of members in its section 5.1.2. Both regulations are taken into account. Pursuant to section 5 of the Articles of Association, the Supervisory Board determines the number of Executive Board members, which is a minimum of two. The Articles of Association do not contain any further regulations on the appointment or replacement of Executive Board members.

### **Rules governing the amendment of the Articles of Association (No. 6):**

The requirements for the amendment of the Articles of Association are primarily regulated in sections 179 to 181 and 133 of the German Stock Corporation Act. Reference is made to these provisions. The General Meeting can assign the authority to amend the Articles of Association to the Supervisory Board in so far as such amendments merely relate to the wording. This is allowed by the Company through the provisions in section 21 (1) of the Articles of Association.

## **Executive Board authorities, particularly the issuing and buy-back of shares (No. 7):**

### **Authorised capital**

Pursuant to section 4 (5) of the Articles of Association, the Executive Board is authorised until 22 May 2011 to increase the Company's share capital, with the approval of the Supervisory Board, by up to € 10,000,000.00 through a one-time-only or repeated issuance of up to 10,000,000 bearer shares, against cash contributions and/or contributions in kind (authorised capital). The Executive Board can decide on the exclusion of subscription rights, with the approval of the Supervisory Board, in particular cases established in the enabling resolution and in section 4 (5) of the Articles of Association. For further details we refer to the specifications in the Notes to the Consolidated Financial Statements, or in the Notes to the Financial Statements.

### **Conditional capital**

The Company disposes of two conditional capital (sections 192 et seq. German Stock Corporation Act), which are regulated in section 4 (6) of the Articles of Association.

### **Conditional capital I/1999**

Share capital is conditionally increased up to a nominal € 780,000.00, divided in up to 780,000 shares made out to the owners (Conditional capital I/1999). This conditional capital increase serves the granting of purchase rights to members of the Executive Board and Company employees, as well as to members of executive management and employees of affiliated companies, in accordance with the resolution of the Annual General Meeting of 4 June 1999. The conditional capital increase will only be executed to the extent that holders of subscription rights utilise these rights. New shares participate in profits from the beginning of the financial year in which the exercise of subscription rights has taken place. The Executive Board is authorised to establish details on the execution of the conditional capital increase, as well as to define subscription rights with the consent of the Supervisory Board, provided this is in accordance with the resolution of the Annual General Meeting on 4 June 1999. Based on this authorisation up until now 542,529 subscription rights have been granted. These subscription rights expired without exercise by July 2005 at the latest.

**Conditional capital II/2002**

Share capital is conditionally increased up to € 7,500,000, through the issuance of up to 7,500,000 new individual bearer share certificates, with an entitlement to dividends starting at the beginning of the business year for such issuance (Conditional capital II/2002). The conditional capital increase serves the granting of shares to the owners or creditors of option or convertible bonds that are issued by the Company or a subsidiary up to 26 May 2007, in accordance with the authorisation by the Annual General Meeting of 29 May 2002 as long as the issuance is carried out in cash. It will only be executed insofar as option or conversion rights stemming from the aforementioned bonds are used, or conversion obligations from such bonds are fulfilled. The Executive Board is authorised to determine the details regarding the execution of the conditional capital increase. Based on this authorisation up until now no subscription rights have been granted.

**Purchase of own shares:** The purchase of own shares is exclusively allowed under section 71 (1) of the Companies Act, if one of the exceptional circumstances regulated therein is present. At present, the Company does not possess an enabling resolution for the purchase of private shares pursuant to section 71 (1) No. 8 of the German Stock Corporation Act. Therefore, the Executive Board can buy-back own shares based exclusively upon the legal provisions of section 71 (1) of the German Stock Corporation Act, under the requirements therein regulated.

**Compensation agreements with Executive Board members in the event of a change of control**

**(No. 9):** In the event of a change of control, certain particularities will result in terms of the employment contracts with the Executive Board members, which are to be taken into account in evaluating the changed situation. In the event of a takeover bid following a change of control, and in other comparable situations, the members of the Executive Board are entitled to a temporary right of cancellation. The term „change of control“ is individually defined in each case. A change of control is, for example, the conclusion of an affiliation agreement for a dependent company in accordance with section 291 of the German Stock Corporation Act, a company merger, and other comparable actions. A change of control is present, in any event, with the purchase of a minimum of 30% or the majority of voting rights in a company, by a third party or by several jointly-acting third parties. If a member of the Executive

Board should exercise his or her right to cancellation, such member shall have an agreed-upon claim to severance pay, which shall total at least 50% of the annual pay and which shall not exceed, in any case, the amount of the member's annual fixed salary that is valid at the time of the termination of contract, up to the end of the regular contract period. One of the regulations links the severance pay, instead, to a special right of cancellation at the time that the employment contract ends, within a determined time period following the change of control. Compensation equalling twice the annual fixed salary is agreed upon with the Executive Board member in question.

**3 Economic Framework Conditions****3.1 Macroeconomic development**

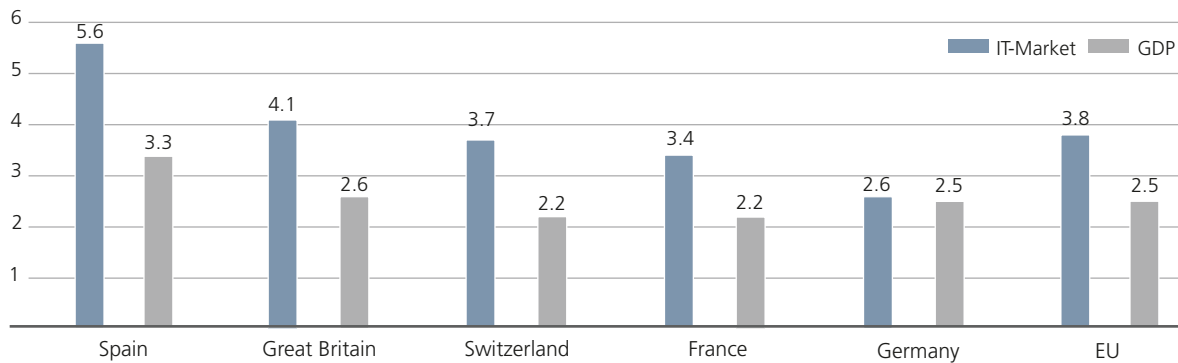
The economic upturn of the global economy continued in 2006. Despite growing prices for raw materials and energy as well as raised interest rates, the economic output increased worldwide. The economy cooled down slightly only in the USA in the second half of the year. Economic growth in GFT's largest sales markets clearly gained in dynamics. In Germany, the gross domestic product (GDP) for 2006 was stimulated by the World Cup and by the VAT increase announced for 2007, increasing by 0.9% to 2.5%. In Spain, it oscillated to a high level of 3.3% (prev. year: 3.4%). Switzerland, Great Britain, and France also showed growth of 2.2% (prev. year: 1.9%), 2.6% (prev. year: 1.8%) and 2.2% (prev. year: 1.5%), respectively.

**3.2 Development of the industry**

Once again, the IT industry proved to be a driving force behind the economy. In October 2006, the BITKOM (German Association for Information Technology, Telecommunications and New Media e.V.) estimated growth of 3.8% for the entire year for the European IT market. This association estimates that markets with high growth potential are the software (+6.3%) and IT Services (+5.3%) sectors – segments that reflect GFT's core competences. The propensity of companies to invest has strengthened. Investments are now driven less by short term cost-saving potentials, and more by a long term interest in sustainably increasing their own efficiency. Companies remain cautious when the investments concern expanding their own personnel resources in the IT sector. They prefer instead to hire external specialists as needed, and thus boost their own teams on a temporary basis. This trend

### Growth of the IT market in comparison to the overall economy in GFT's sales markets:

Growth 2005/2006 in %



Source: for GDP: OECD Annual National Accounts Database; for the IT market: EITO, estimate September 2006

will be made stronger by limitations on corporate freedom created by employment legislation, and the looming shortage of skilled IT labour.

The calculations of the European Information Technology Observatory (EITO) from September 2006 show that the IT market grew stronger in 2006 in all sales markets relevant to GFT, than the gross domestic product for each of these countries. The Spanish IT market ranked highest with a growth of 5.6%, followed by Great Britain with 4.1%. The IT markets in Germany, France and Switzerland exhibited weaker growth than the EU average; their growth rates outperformed, however, the GDP growth in each country.

## 4 Course of Business

In this positive economic environment, the GFT Group was able to surpass its goals for 2006. We consistently expanded our business activity in new markets with new customers, and consolidated non-strategic areas. As a result, we are able to show profitable growth both on an organic basis, as well as through purchases. The Executive Board is satisfied with this course of business which outperformed the expectations for GFT AG as well as for the GFT Group.

As of 31 January 2006, GFT gained strength in the *Resourcing* division. In doing so, it purchased the operative Resourcing Solutions division of the Parity Group plc in Germany and France, which it fully integrated into the GFT Group by the end of July 2006. This acquisition involved five companies that together employ 38 workers, and achieved revenue of € 43m. in 2005 with a solid customer base. The results for this newly acquired business are taken into account for eleven months in the present consolidated financial statement, and are to be fully allocated to the *Resourcing* segment.

In August of last year we suspended the operative business of GFT Technologies GmbH, headquartered in Vienna. The existing customer relationships will continue to be managed by the *Software* segment of GFT Solutions GmbH in Hamburg. The local company still exists and can be activated again, as soon as promising business opportunities arise.

Toward the end of 2006 we sold our Hungarian subsidiary GFT Websolutions Kft. to High-Tech Consulting and Engineering Ltd. in Budapest, Hungary, since it was yielding negative contributions to results in the past two financial years. The Hungarian market for the supply of Services will now be managed, like the market in Austria, by the local German companies.

Last year, the ownership structure of GFT AG changed. In the course of replacement, Deutsche Bank reduced its stake in GFT to less than 5%. This was used as a point of entry by KST Beteiligungs AG in Stuttgart, which now holds a 7.06% stake in GFT. With the merger of two investment companies, the Baden-Württembergische Investmentgesellschaft mbh (BWInvest) in Stuttgart exceeded, with a total of 6.00%, the 5% voting rights threshold.

Diversified shareholdings decreased from 57.23% to 49.9%.

## 5 Development of revenue

### 5.1 Revenue for the Group and the joint-stock company

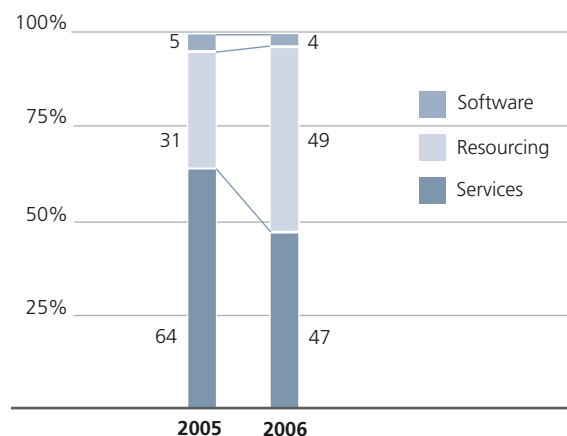
In 2006, the GFT Group posted revenue of € 173.7m., compared to € 120.9m. for the previous year. This corresponds to an increase of € 52.8m. or approximately 43.7%. Revenue for the former Parity-companies, whose operative business was included in the Consolidated Financial Statements starting from February 2006, and was fully reported under the *Resourcing* segment, had a significant influence in this increase. The distribution of revenue across the individual segments has markedly shifted as a result. The volumes for the *Services* and *Resourcing* segments have become aligned, while the share of revenue for the *Software* segment remained almost constant. The total revenue for the GFT Group totalled € 133.6m., adjusted for the

new companies. In comparison to the € 120.9m. achieved last year, this corresponds to organic growth of 10.5%.

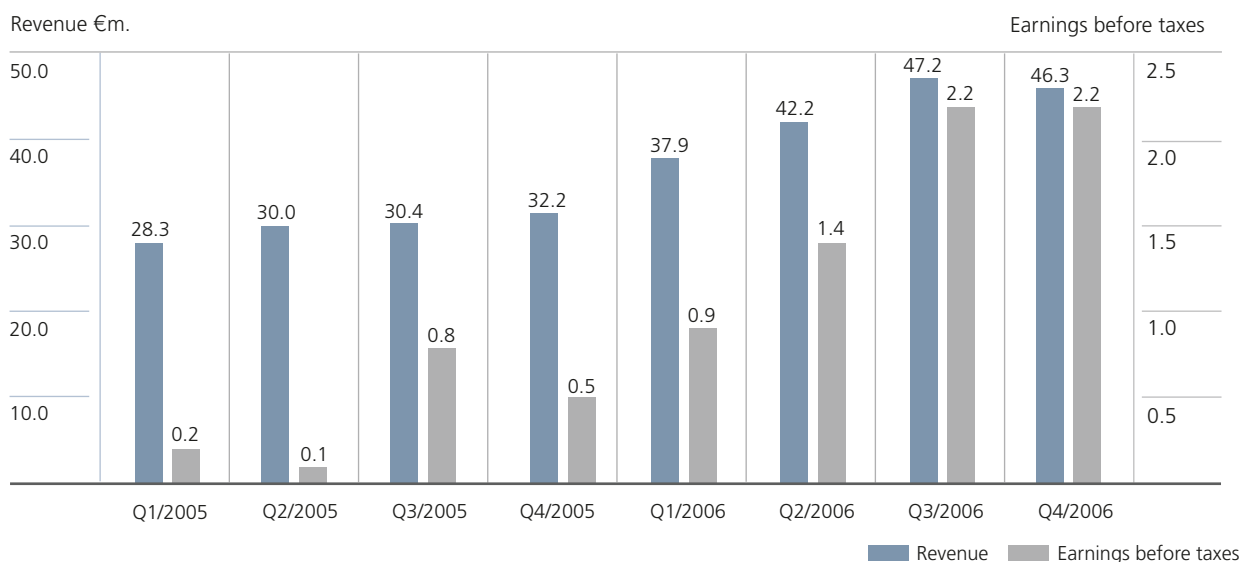
At GFT AG, revenue decreased by € 2.5m. or 3.2% to € 76.4m. This decline in revenue is to be primarily attributed to the strategic orientation of the *Services* division toward customers in the financial and logistics services sectors. Accordingly, no customers from the industrial sector were specifically procured. Another reason for the decline in revenue is the turnover for GFT Media which was still held the previous year pro rata. The overall performance of GFT AG, meaning revenue and inventory changes, increased by € 0.2m. or 0.3% to € 76.8m.

### 5.2 Revenue according to segments

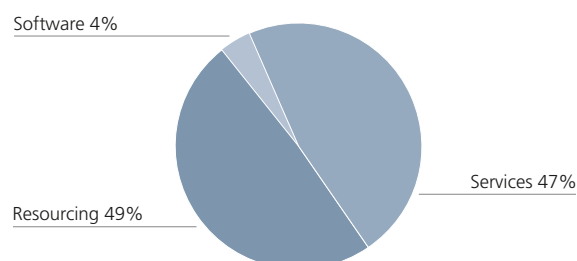
#### Distribution of Group revenue by segments: Comparison of 2005 with 2006



### Development of revenue and earnings before taxes for the GFT Group, on a quarterly basis



### Distribution of Group revenue by segments for 2006:



The allocation of revenue according to segments resulted in a significant shift from the *Services* segment to the *Resourcing* segment, as a result of the acquisition of the Parity-companies. Both segments were almost equal in size toward year's end with 47% and 49%, respectively (prev. year: 64% and 31%). The share of the *Software* segment declined from 5% to 4%.

Overall, we posted profitable growth in 2006 in the *Services* division, with new customers in international markets. The *Services* segment was able to increase revenues compared to the previous year by approximately 6%, to € 82.4m. Our key customers showed solid demand. With consistent revenues we were able to increase our volume due to the stronger commitment of the Spanish development centre. The increase in revenue can be primarily ascribed, as in the previous year, to customers in the financial services industry. This corroborates our strategy of concentrating on our core locations and competences.

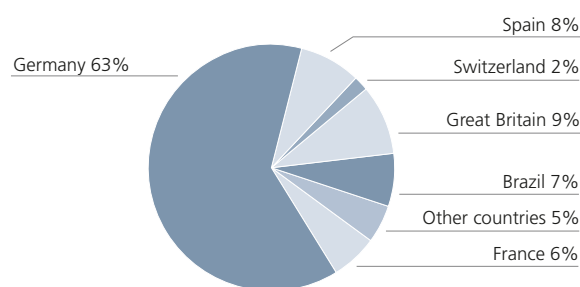
Revenue in the *Resourcing* segment more than doubled over year's end 2005 with an improvement of 122%, increasing to € 84.2m. The operative business of the former Parity-companies was included in the Consolidated Financial Statements starting in February 2006, and fully reported in the *Resourcing* segment. In those eleven months, the new companies produced revenue of € 40.1m, corresponding to an average of approximately € 3.6m. per month. The emagine Freelance Agency division was able to increase revenue from € 38.0m. to € 44.1m. This was aided, among other things, by the procurement of important new clients such as FinanzIT. The *Resourcing* segment thus grew organically by 16%.

In the *Software* segment we were also able to strengthen our revenue: Compared to 2005 (€ 5.6m.) we increased revenue by 26% to € 7.1m. The share of overall revenue remained almost constant at 4% (prev. year: 5%). Our continuing investments in the redevelopment of products, as well as the further development of our regular products, have paid off. The newly-developed Business Process Management products (GFT *inspire*, for example), primarily offer interesting development potential for the future.

In GFT AG, 42% of revenue is ascribed to the *Services* segment (prev. year: 52%) and 58% to the *Resourcing* segment (prev. year: 48%).

## 5.3 Revenue according to countries

### Distribution of Group revenue by countries



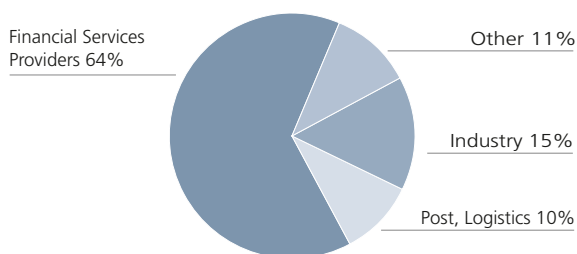
As in the previous year, Germany, Spain and the UK were once again our three largest sales markets in 2006. Germany remained in the fore of overall revenue with 63% (prev. year: 67%). After a weak first half of the year, revenues rose noticeably in the second half of the year, primarily thanks to our long term regular customers. In Great Britain we registered revenue growth of 56% compared to last year, to € 15.0m. In the year-end analysis, the share of overall revenue of 9% remained almost unchanged pattern to 2005. Our Spanish customers' spending conduct continues to be positive. With revenue of € 13.7m., 8% of total revenue can be attributed to them (prev. year: 10%). Compared to the financial year 2005, this represents an increase of € 1.4m. In addition to our regular client Deutsche Bank, we were able to procure important new clients. The strategy to use Spain as a near-shore development facility for Germany and the UK, turned out to be a very effective one. The expansion to international markets with a major project for a Brazilian

bank has proven to be successful. Revenue in Brazil totalled € 11.6m. (prev. year: € 4.6m.), corresponding to a share of revenue of 7%. Since 31 March 2006, France has reported separately. Its share of revenue totalled 6% (prev. year: 0.7%) at the end of the year. Here, we were able to increase revenue more than tenfold, from € 0.8m. to € 10.9m., which can be attributed to the purchase of the former Parity-companies. Our Swiss subsidiary concluded its most important long term fixed-price projects. Starting this current financial year, we will also be active in Switzerland working for a major key customer. We are anticipating considerable revenue from this project for 2007. Business with clients from other countries, among them Italy, Austria, Hungary and the USA, contributed almost € 9.2m. to the overall revenue – 14% more than in 2005.

GFT AG achieved 95% of its revenue domestically (prev. year: 98%).

#### 5.4 Revenues according to industries

##### Distribution of Group revenue by industries



The distribution of revenue by industries reflects, as before, our emphasis on the financial services division. We achieved € 111.3m. and thus 64% of our revenue, with clients from this industry. In the postal and logistics sector, which represented 10% of revenue just as in the previous year, we were able to secure major projects and conclude important framework agreements in 2006. We are anticipating that these will produce considerable revenue in 2007.

Because of the purchase of the former Parity-companies, we were able to more than triple our revenue from industrial clients (from € 7.6m. to € 26.1m.) Thus, this is the second-largest branch for us.

GFT AG achieved 82% of its revenue with financial services providers. Twelve percent could be attributed to mail and logistics services providers. Merely 6% of revenue can be attributed to customers from other locations.

## 6 Earnings situation

### 6.1 Earnings situation of the Group and of the joint-stock company

Earnings before taxes, the main internal taxation variable of the GFT Group, improved this past financial year by 322% to € 6.7m. (prev. year: € 1.6m.). With it, the return on sales based on pre-tax income increased markedly to 3.8% (prev. year: 1.3%). As in the past years, earnings improved as the year progressed, and increased nominally as well as in relation to revenue, from quarter to quarter. Because of a looming stabilisation in the development of revenue in the *Services* segment, and the increasing importance of the less volatile *Resourcing* business, the development of revenue and earnings for the financial year 2007 will show smaller fluctuations than in the past.

The 2006 annual net income for the GFT Group also registered a clear increase of 380% to € 5.1m. (prev. year: € 1.1m.) The tax rate for 2006 totalling 23% – relating to taxes on income – was distorted by the SEStEG (SE Introductory Act), which came into effect on 13 December 2006. As a result of the SEStEG, we had to activate our claims for outpayment of the existing corporation tax balance as of 31 December 2006, in the income statement and in full. This one-time posting of the corporation tax balance in the amount of € 0.8m. thus distorted noticeably the reported earnings tax outlay of € 1.6m. Without this one-time operation, the earnings tax outlay was approximately € 2.4m., corresponding to a tax rate of about 35%.

Earnings per share for 2006 totalled € 0.19 (prev. year: € 0.04) After adjustment for the one-time posting of the corporate tax balance, earnings per share totalled € 0.16.

In the past financial year, GFT AG registered a stable earnings situation. The earnings before taxes totalled € 2.8m., as in the previous year. In the first half of the year, the operative business for GFT AG was characterised by weak utilisation of the *Services* division, but improved distinctly in the second half of the year thanks to increased demand.

In contrast to the previous year, there were no considerable outstanding earnings to report during the financial year 2006, as a result of divisions being sold (contribution to results for the prev. year: € 1.1m.) Investment income amounted to € 2.1m. (prev. year: € 1.5m.), thanks to increased dividends for the Spanish GFT Iberia Solutions S.A. Write-offs against affiliates burdened earnings with € 0.4m. (prev. year: € 1.5m.).

The annual net income for GFT AG totalled € 3.5m. (prev. year: € 2.8m.) In the process, the above-described activation of the corporate tax balance pursuant to SEStEG had a positive effect of € 0.7m. on GFT AG. Adjusted by this one-time special circumstance, the annual net income matched the previous year's amount.

## 6.2 Group's earnings situation by segments

The improvement of the operative pre-tax result in 2006 resulted, fundamentally, from a marked increase in our profitability in the *Services* segment. It was possible to increase the segment's results in comparison to last year by 153% to € 7.5m. (prev. year: € 3.0m.) This significant increase in profitability can be considerably substantiated by our focus on both core branches: banking and insurance as well as mail and logistics. The largest contributions to results can be attributed to our Financial Services divisions in Germany, Great Britain, Spain and Brazil, and to our Mail and Logistics divisions in Germany and Great Britain. Our smaller companies in Austria and Hungary posted considerable operative losses of € -0.8m. The company in Austria is no longer operating in the current financial year, and the Hungarian company ceased to belong to the GFT Group from the end of 2006.

The *Resourcing* segment showed a clear increase in earnings before taxes of 87% to € 1.3m. (prev. year: € 0.7m.) An important driving force behind such results was the former Parity-companies, consolidated since February 2006, whose contribution to earnings before taxes totalled € 0.8m. One-time-only expenditures of € 0.4m. accrued in connection with the integration of the new companies. The organic development in the Resourcing segment by our emagine Freelance Agency division was slightly regressive in its operating results, according to plan. Two measures had a negative influence on the operating margin in terms of future investment, but are the basis for a sustained generation of revenue. On one hand, the price adjustments of May 2005 for the financial year 2005 were only partial, but are included fully for the reporting year. On the other hand, extra distribution costs of approximately € 0.1m. accrued. Together, both measures caused a slight decline in the operating results of the emagine Freelance Agency, to € 0.5m. (prev. year: € 0.7m.) However, the operating results increased from approximately € 0.1m. in the first half of the year to € 0.4m. in the second half of the year.

In the *Software* segment, the result improved in comparison to the previous year by € 0.2m. to € -0.5m. Business development was characterised by a marked increase in business volume, expanded sales and marketing activities, and intensified investments in our products. The sustained investments in this segment are starting to pay off. After losses of € -0.7m. accumulated in the first half of the year, the operating result for the second half of the year totalled € 0.2m. We are anticipating that the earnings situation for the *Software* segment will continue to improve due to increasing revenue from new clients in the course of the quarter.

### 6.3 Other operating income

The Group's other operating income dropped in comparison to last year to € 3.0m. (prev. year: € 4.3m.) The largest individual items were the release of provisions totalling € 0.9m. (prev. year: € 1.5m.), and income from the sale of securities totalling € 0.7m. (prev. year: € 0.1m.) The previous year included one-time income from the sale of divisions (€ 1.1m.). No significant income of this type was generated during the past financial year.

At GFT AG, other operating income came in at € 5.7m. (prev. year: € 5.6m.). The largest individual item was income from administrative expense allocations for payment of Group-wide service functions, in the amount of € 3.9m. (prev. year: € 3.1m.).

### 6.4 Cost of materials

The cost of materials was most strongly influenced by the acquisition of the former Parity-companies, since this cost item includes the additional procurement of external employees for both the *Resourcing* and *Services* divisions. Therefore, material costs for the Group increased by 83% to € 87.3m. in 2006 (prev. year: € 47.6m.). From the overall increase of € 39.7m., € 33.2m. is to be attributed to the purchased units. The remaining increase of € 6.5m. is to be attributed mainly to the sales expansion of the existing *Resourcing* business of the emagine Freelance Agency.

At GFT AG, material costs increased by 8.8% to € 55.8m. (prev. year: € 51.3m.). € 5.8m. is to be ascribed to higher purchases of the emagine Freelance Agency; the external purchases of the Service business declined in comparison to the previous year by € 1.3m.

### 6.5 Personnel expenses

Personnel expenses at the GFT Group increased by 7.8% to € 61.9m. (prev. year: € 57.5m.) while the number of employees also grew. Not counting the newly-added *Resourcing* divisions, the increase totalled € 0.6m. or 1.1%. In the process, personnel costs for the near-shore development centres increased superproportionally, underscoring the need for continuous further development of the off-shore production capacities for the GFT Group. At GFT AG, personnel costs decreased by 10.0% to € 17.8m. (prev. year: € 19.8m.), due essentially to the decrease in the average number of workers employed by the company.

### 6.6 Depreciations and other operating expenses

At the GFT Group, the depreciation of long term intangible and tangible fixed assets decreased marginally by € 0.1m. to € 1.2m. (prev. year: € 1.3m.). As in the previous year, no goodwill depreciations accrued in the reporting year.

At GFT AG, the depreciation of intangible and tangible fixed assets also decreased slightly from € 0.52m. to € 0.48m. As in the previous year, no unscheduled items are included here.

The Group's other operating expenses increased by approximately 15 % to € 20.2m. (prev. year: € 17.6m.). Without the newly-acquired companies, other operating expenses would have increased by only 2.8 % or € 0.5m. Operating expenses, namely leasing and ancillary expenses for business premises totalled € 6.0m. (prev. year: € 5.6m.) while marketing expenses, which include the important advertising and travel expense items, totalled € 7.0m. (prev. year: € 6.5m.). Administrative expenditures added up to € 5.3m. (prev. year: € 4.7m.).

It was possible to significantly reduce other operating expenses at GFT AG. These totalled € 7.9m. during the reporting year, thus underperforming the previous year's value of € 9.5m. by € 1.6m. It was possible to significantly reduce the operating and distribution expenses, as well as the bad debt allowances for affiliated companies, in comparison to the previous year.

## 6.7 Financial result

Despite a lower average supply of cash and securities, the financial result for the GFT Group of € 0.24m. was slightly higher than in the previous year (€ 0.23m.).

Interest of € 0.6m. (prev. year: € 0.8m.), stemming primarily from fixed-interest securities, offset depreciations of financial assets and securities of € 0.3m. (prev. year: € 0.5m.). The depreciations of financial assets concerned essentially non-capitalised losses from low-risk, fixed-interest securities.

The financial result for GFT AG increased from € 1.7m. to € 2.4m. This improved result was aided by higher investment income totalling € 2.1m. (prev. year: € 1.5m.) as well as by lower depreciations of financial assets and securities of € 0.3m. (prev. year: € 0.5m.).

## 7 Financial position

### 7.1 Financial situation of the Group

The financial situation of the GFT Group continues to be extraordinarily stable. Available cash and cash equivalents amounted to € 20.2m. as of 31 December 2006, slightly underperforming the previous year's value of € 20.7m. Together with securities, the Group had € 23.9m. of liquid assets at its disposal (prev. year: € 28.6m.) This was offset by short term financial liabilities of € 2.4m. (prev. year: € 0.0m.) in the form of a factoring credit line of the former Parity-company in France.

The cash flow from operating business activities totalled € 1.5m., compared to € -0.8m. for the previous year. The improvements from the operating business activities were partially neutralised by the acquired Parity-companies. While the GFT Group would have generated an operating cash flow of approximately € 5.3m. without the influence of the acquisition, it was burdened with approximately € 3.8m. from the development of the former Parity-companies. In the process, the higher other provisions, as well as the increase in trade receivables, had a negative effect. The duration of consumer credit remained almost stable and was shortened from 52 to 51 days, due especially to the typically higher payment goals in the *Resourcing* business.

The cash flow from investing activities totalled € -3.6m. in comparison to € 1.0m. for the previous year. This reflects the purchase of the former Parity-companies with a cash-relevant investment volume of € 6.0m. In contrast, the net effect from the sale of securities in the amount of € 4.1m. had a positive effect, and the purchase of the companies was partly financed with this incoming payment. Investments in tangible fixed assets of € 0.9m. slightly outperformed the previous year's level (€ 0.8m.).

The cash flow from financing activities totalled € 1.7m. (prev. year: € 0.0m.) and was basically the result of the assumption of financing loans from our French subsidiary.

### 7.2 Financial situation of GFT AG

As of 31 December 2006, the cash balance and the cash at banks for GFT AG amounted to € 11.5m., thus underperforming the previous year's value of € 16.2m. Despite a positive result of € 3.5m. for the accounting period, the cash flow from operating business activities was negative at € -1.4m. (prev. year: € -2.7m.). This resulted fundamentally from the increase in relevant assets, especially the receivables against affiliates as part of the domestic financing of the former Parity-companies, as well as from the decrease of other liabilities with a negative cash flow effect totalling € -5.4m.

In the case of cash flow from investing activities, a similar picture emerges as with the Group: While investments had an impact of € -7.0m. on financial assets, a positive net effect totalling € 3.8m. resulted from the sale of securities. Overall, the cash flow from investment activities totalled € -3.3m. (prev. year: € 1.6m.).

The cash flow from financing activities totalled € -0.02m. (prev. year: € 0.02m.).

The GFT Group and GFT AG were in a position, at all times, to fulfil their payment obligations.

## 8 Net assets

### 8.1 Group net assets

The balance sheet total for the GFT Group grew by € 13.8m. to € 92.2m. This increase can be primarily attributed to the takeover of the former Parity-companies. Without the purchase of these companies, the balance sheet total would have dropped by € 5.7m. on a comparable basis.

The fundamental changes on the assets side concern the goodwill, trade receivables and cash and securities positions. The increase in goodwill of € 5.0m. to € 20.4m. (prev. year: € 15.4m.) is exclusively due to the acquisition of the former Parity-companies. Pursuant to IFRS 3, goodwill is subject to an annual impairment test. As in the previous year, no changes resulted in the existing valuations as a result of this test. From the total increase of the trade receivables by € 11.5m. to € 34.1m. (prev. year € 22.6m.), € 12.3m. are to be attributed to the purchased companies. Without these, the receivables would have been € 0.8m. lower, despite higher revenue. The cash and securities balance sheet positions declined by € 4.7m. and totalled € 23.9m. as of 31 December 2006 (prev. year: € 28.6m.). Deferred tax assets increased by 0.3m. to € 6.0m. (prev. year: € 5.7m.).

The increase in equity to € 49.4m. resulted essentially from the annual surplus of € 5.1m. The acquired companies made a positive contribution of € 0.7m. to this surplus. As in the previous year, the time-value changes of the "securities available for sale" will be represented at fair value in equity, pursuant to IAS 39. The equity ratio totalled 54% at the end of the reporting year, compared to 57% for the same point in time the previous year.

It was possible to reduce long term debts by € 1.2m. to € 2.8m. (previous year: € 4.0m.). As of 31 December 2005, this figure included € 1.3m. worth of advance deposits on long term orders. The increase in short term debts by € 10.2m. to € 40.0m. (previous year: € 29.8m.) is due in large part to the increase in trade liabilities which totals € 5.3m. Of this amount, € 3.5m. is to be ascribed to the acquired companies. Furthermore, financial liabilities as well as other provisions increased by € 2.4m. each. The financial liabilities involve liabilities assumed as part of the factoring credit line of the acquired French company.

The solid structure of the GFT Group balance sheet is confirmed by a high equity to fixed assets ratio. A total of 161% of the long term assets worth € 30.8m. are covered by equity (prev. year: 184%).

### 8.2 Net assets of GFT AG

As with the Group, the balance sheet total for GFT AG increased by 2.0m. to € 48.6m. (prev. year: € 46.6m.).

On the assets side, the acquisition of the Parity-companies led to a clear shift from current to non-current assets.

Non-current assets increased by € 6.8m. to € 17.1m. (prev. year: € 10.3m.), due basically to a € 7.0m. higher participation in the newly-purchased companies GFT Resource Management GmbH and GFT Technologies SARL. As before, the highest single participation is with GFT Iberia Solutions S.A., which remains unchanged at € 8.7m. The shares in affiliates totalled € 16.1m. as of 31 December 2006, compared to € 9.1m. for the previous year.

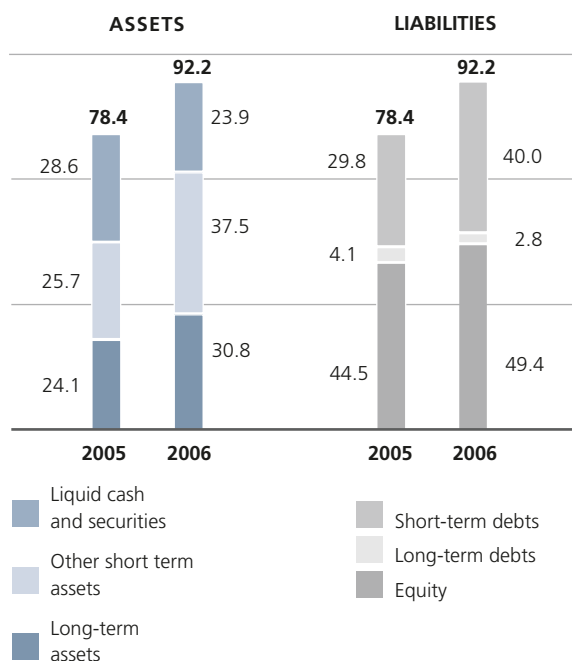
Current assets were reduced by € 4.8m. to € 31.1m. (prev. year: € 35.9m.), due basically to a supply of cash and securities that is lower by € 8.9m. The reason for the decline in liquid assets and securities is the purchase and financing of the former Parity-companies during this reporting year. The liabilities and other current assets increased, in contrast, by € 3.7m. to € 14.7m. (prev. year: € 11.0m.).

It was possible to record an increase in equity on the liabilities side, thanks to GFT AGs annual surplus of € 3.5m. Total equity amounted to € 28.9m. as of the balance sheet date (prev. year: € 25.4m.). The equity ratio thus improved from 54% to 60%.

The provisions essentially declined by € 0.8m. to € 6.1m., due to consumption of other provisions (previous year: € 6.9m.).

Liabilities were reduced by € 0.7m. to € 13.5m. (prev. year: € 14.2m.); no liabilities existed against banks.

### Group balance sheet structure 2005 and 2006



## 9 Employees

As of 31 December 2006, the GFT Group employed a total of 1,057 workers including part-time employees – 11 more than in the previous quarter and 76 more than at the same point in time last year. The number of employees increased in particular in Spain and Brazil, which resulted in higher revenues.

The number of freelance employees increased substantially from 802 in the middle of the year to 903 by 31 December 2006. Of these, 785 were in the Resourcing segment – 19 more than in the third quarter of 2006, which had already recorded above-average growth in revenue.

In the entire financial year an average of 1,033 workers (previous year: 1,010) were employed, compared with 1,007 in the first six months and 1,022 in the third quarter of 2006. The share of workers employed abroad as of 31 December 2006 was 72%, corresponding to 761 employees. Accordingly, 28% or 296 workers were employed in Germany.

On 31 December 2006, 202 workers were employed at GFT AG. This is ten people less than at the same point in time last year.

## 10 Research and Development

In 2006, GFT invested € 3.9m. Group-wide, totalling a share of 2.2% of revenue in Research and Development. In the previous year, outlays of € 4.1m. totalled a share of 3.4% of revenue. The largest share of 85%, equalling an investment of € 3.3m., was in personnel costs.

Since the fourth quarter of 2006, GFT has been following the strict IFRS layout, and no longer reports continuing education costs for its employees as Research and Development expenditures.

Like last year, the focus of Research and Development was placed on process innovations. GFT continues to work at enhancing project management and software development procedures in accordance with the internationally recognised CMMI standard (Capability Maturity Model Integration). CMMI identifies a process model that supports the targeted improvement of processes in a company as one which links such improvement, together with the company-wide requirements and criteria, to a professional product-development organisation.

Since 2005, the GFT production units have been fulfilling the demanding quality requirements of CMMI Level 2, and have been certified by the official expert opinion of a partner of the Software Engineering Institute (SEI). By the end of 2007, the elements of the third certification level should be implemented into our Company. Their goal is the standardisation of management and development processes. Furthermore, this step establishes a uniform feedback process which assimilates the experiences from current projects into the ongoing improvement of processes. By the end of 2006 some initial results were achieved, among them the harmonisation of the architecture of processes, the development of joint processes for risk management, as well as a uniform procedure for the inspection and testing of software. More than 400 employees have already been adequately trained in over 40 training units.

Another focus of GFT's Research and Development department is the enhancement of the family of software products as pertains to document and process-based workflows. To this end, an investment of € 1.8m. or 46% of all outlays in the Research and Development area has been made. In 2007, GFT will bring to market a new version of GFT *inspire*, a software for the optimisation of business processes.

GFT continuously fine-tunes the internal applications for the organisation and exchange of knowledge via a Group-wide internal portal (GFT Workspace). Since the end of 2006 it has replaced the country-specific options for portals.

## 11 Risk Report

The corporate actions of the GFT Group are oriented toward profitable growth and a sustained increase of the Company's value. In doing so, we operate in a dynamic field, between opportunities that we recognise and want to seize, and the risks that are inevitably associated with such opportunities. In the decision-making process we must always weigh risks and opportunities systematically and responsibly, and we must always pursue a well-considered combination of proven and innovative commitments. In doing this we are guided by a Company-wide risk management system. This risk management system is also an integrated component of all of GFT AG's planning, controlling and reporting systems. The risks and risk prevention measures described as follows are thus valid for the GFT Group, and for GFT AG where applicable.

### 11.1 Risk management at GFT

The objective of the risk management system is to recognise significant risks early, so that countermeasures can be implemented in a timely manner. This system is documented in a manual that is accessible to all employees, and includes planning, information and management processes. The responsibility for continuously examining and evaluating all opportunities and risks is borne by all directors: the Board of Directors, the CEOs of the Group companies, and personnel responsible for processes and projects. A cross-hierarchy reporting system with a defined procedure safeguards the proper information from management. Analyses and reports that highlight the GFT Group's financial situation are periodically prepared. Regular meetings of the GFT governing bodies ensure an optimal exchange of information between operative and central divisions across all levels, offices and countries.

Company managers and directors make their employees cognisant of the fact that each one of them can contribute to identifying opportunities and risks, and react appropriately. If our assessment of a particular risk situation changes, specified processes will assess how suitable measures can be initiated as quickly as possible. All the threads come together with our Group-wide risk appointee,

an employee in the Finance division. This person, who is highly familiarised with the manual and processes, is the contact person for all employees, can always be reached, and acts immediately should risks arise unexpectedly.

We divide the most significant risks into external, operational, financial and organisational risks. The economic environment, industry development, competitive situation, technological progress, the capital market, as well as legal framework conditions, could all hold external risks. Development in these areas is monitored by the Executive Board as well as by the Risk Management Steering Committee. In doing so they support Group controlling, the Investor Relations team, and those employees responsible for Sales and Production. Operational risks are those that could arise with the realisation of software projects. The Software Development Policy, which is valid Company-wide, is binding for all Project Managers and regulates the requirements for the series of professionally-led IT projects. Revenue, results and liquidity planning are the fiscal management parameters that are planned, analysed, and evaluated during the monthly meetings of the Financial Council. Organisational risks occur primarily in the personnel, information technology, and general organisation areas. These risks are monitored and managed by the responsible division managers.

We are working continuously on improving early recognition and management of opportunities and risks. The valuable findings of two supervision units are assimilated into this process. On the one hand, our internal review monitors the individual Group companies and projects within the scope of its regular and special audits. On the other hand, the organisation and operation of the early risk detection system are a component of the auditors' examination.

## 11.2 Business risks

Information technology is developing at a rapid pace, and the IT services and software markets will continue to be characterised by strong competition. We are working intensively at anticipating the needs of our clients through innovative solutions, at expanding our unique portfolio and utilising the competitive advantage that exists therein. For this reason we observe the market intensely, and take advantage of the opportunities to expand our global presence. We thus make ourselves independent from regional test markets and expand our customer base.

GFT currently achieves about 74% of all its revenue from banks, insurance companies, and postal and logistics services providers. In doing so, we focus strategically on these areas in only one of three segments – the *Services* segment. It is these strengths that also open up sales potentials for us within the other two business sectors, which we then use consistently. GFT achieves significant revenue with projects in which the customer requests the assistance of two or even three of our operating fields – a sign that these fields complement each other exceptionally well. As long as financial and logistics services providers are one of the driving forces, they will continue to create above-average growth opportunities for GFT. Otherwise, there is a risk that GFT would be unable to avoid the consequences of an industry-specific economic crisis. For this reason, we are working systematically in the *Resourcing* and *Software* segments to position our customer base in other industries on a broader basis.

Furthermore, the risk structure in GFT's three divisions – *Services*, *Software* and *Resourcing* – differentiate themselves according to the spectrum of services. For this reason, we consider them separately in each segment.

### 11.2.1 Services

The experts at the EITO (European Information Technology Observatory) forecast in their September 2006 appraisal report a solid growth rate of 5.4% in the European market for IT services, for 2007. Based on this information, we are generating above-average growth possibilities for the GFT Group. We are assuming that both of the branches on which GFT's *Services* segment focuses, financial and logistics services, will invest more than others. Our strong customer base, which distinguishes itself through its satisfied regular customers, makes us confident that we can tap this potential. According to the EITO experts, Company investments will be less driven in the future by short term cost-saving potentials, and more by a long term interest in sustainably increasing their own efficiency. This coincides with our observations, and allows us to create a more consistent and reliable development than in the past. We are well positioned thanks to a broad technological basis, and we are also in a position to react to short term trends in a flexible manner.

GFT is holding its ground in the IT services market, against strong domestic and international competitors. Some of them, such as India, possess more comprehensive development resources. A considerable part of our revenue is earned – usually secured by long term contracts – from our large base of regular customers. Thanks to the continuous maintenance of core applications we have gotten acquainted with their IT environments in great detail over the years. With the procurement of projects we are able to expand upon these close customer relationships and, in addition to making use of our project experience, we are also able to demonstrate our deep level of expertise in the industry. Those companies that choose GFT further benefit from cost advantages. These result from our international network of projects that enable an individual choice between onshore, near-shore, or off-shore development.

The success of large and complex IT projects, as carried out by us, depends largely on whether we are in a position to implement such projects with high quality and at the agreed-upon budget and deadline conditions. Generally, orders are preceded by highly competitive proposal phases which require estimating expenses and project risks as precisely as possible. In reality, unexpected technical challenges or unpredictable developments could depart

from the original estimates. This may affect the profit margin of a fixed-price project adversely or result in further financial consequences when a completion date, scope of service or other contractual covenants cannot be observed. In order to avoid these situations, GFT has established detailed and binding specifications: both for the preparation of proposals as well as for project and quality management. In doing so, we are proceeding in accordance with the internationally recognized Capability Maturity Model Integration (CMMI) process model. In the past, this model has aided in considerably reducing technical problems, as well as budget and deadline overruns.

The share of revenue for our largest client, Deutsche Bank, totalled 47% (prev. year: 48%) in the *Services* segment. Restrained demand from the Deutsche Bank could have a negative effect on the development of revenue and earnings. These high revenue shares and associated cash flow fluctuations are safeguarded by long term contracts, intensive customer care at the Executive Board level, and focused account management.

### 11.2.2 Resourcing

We continue to assume that the trend among large companies of consolidating the IT suppliers will intensify. Large companies often place value on processes becoming uniform and streamlined, they do not consider the sourcing of non-strategic service providers to be a core function of the enterprise. A growing demand for third-party management solutions is clearly manifest. We continue to see good chances for success for our resourcing of external IT specialists. We are counting on companies counteracting the current shortage of skilled workers in the IT industry and in their own companies by resorting to flexibly placeable external specialists. This development strengthens our growth potential in the entire *Resourcing* segment. Should GFT not succeed, however, in profiting from this favourable market environment, the revenue and earnings trend of the GFT Group could be adversely affected.

Almost 60% of our revenue is generated from four major clients. Restrained demand from these clients would have a considerable effect on revenue, but only a marginal effect on income.

We attempt to counteract such possibilities by not entering into any employment contracts with external IT service providers. Rather, we only enter into contracts that are limited in time according to the client's desired employment term. In doing so, we are able to react quickly and flexibly in the event of falling demand.

### 11.2.3 Software

In the *Software* business we operate as an experienced supplier in hard competition with an array of suppliers of various sizes. In our portfolio this segment plays a complementary role. It achieves 4% of total revenue and opens up interesting foot-in-the-door possibilities with customers and thus opportunities for growth – even in other segments. We consider the growth potential for electronic archiving, digital document management, and automation of electronic business processes to be significant. We also utilise the opportunity to implement our software products into the projects business in the *Services* segment, wherever interesting opportunities arise. Increasingly with relevant partners, we are tapping in to market potentials in countries in which we are currently not active.

### 11.3 Personnel risks

Our highly-qualified employees make a key contribution to the development and success of GFT through their knowledge, motivation and flexibility. At present, the IT industry is showing signs of increased competition for skilled and managerial workers, which could result in increased employee turnover and thus the loss of know-how. In order to counteract this trend we will intensify our personnel marketing and recruiting activities. The goal is to strengthen GFT's position as an attractive employer offering interesting development possibilities, as well as providing qualification and continuing education programs. In doing so, we invite experts in to our company and appeal to potential new employees and junior employees.

### 11.4 Technological risks

Our business activities in the *Services* and *Software* segments are subject to rapidly advancing technological development. The future market success of GFT as a leader in technology and innovation depends particularly on how successful we are at recognising technological trends early on. In August 2006, the Group Technology Office was assigned the bundling of these tasks and managing them Group-wide. This team observes market developments, prepares and evaluates trend analyses, and pursues research and development in those divisions that we have identified as potential growth areas.

In our company we rely on our IT systems functioning efficiently, being reliable and always available. Qualified internal experts are responsible for the service, maintenance and optimisation of our IT infrastructure. They have also established organisational and technical measures to practically rule out the unauthorised access to and loss of essential data. These measures include an extensive security concept and emergency planning, but also technical protective measures such as data backups, access protection, network monitoring, virus scanners, and fire-wall systems.

### 11.5 Financial and foreign currency risks

Our customer base is very solid and includes numerous large companies, among them many long term clients. Receivables are concentrated on large financial services providers with a good credit rating, and are reported to the COO on a monthly basis. We consider the default risks from pending or overdue receivables to be low, but keep a watchful eye on them nevertheless.

We operate an active, centrally-controlled Treasury Management that monitors exchange and interest rate effects, and which plans liquidity for the medium and long terms.

GFT obtains the vast majority of its income from European territory, and is thus barely exposed to exchange rate risks. As in the previous year, only 5% of our business was invoiced in foreign currencies. We assess on an individual

basis whether currency hedges are necessary. These measures have not been applied this reporting year. Non-cash foreign currency effects that arise from the conversion of balance sheet items are basically not hedged by us. In order to hedge interests we utilise, if needed, derivative interest rate instruments that need to be approved by the Executive Board. At the end of 2006 we had one interest rate swap.

### 11.6 Legal risks

Our commitments to clients are regulated by contracts. We use specimen contracts that have been prepared and approved by our Legal department. If the clients wish to make amendments to a contract, these need to be submitted to the Legal department for review. Amendment requests are discussed and negotiated with clients when necessary. In doing so we ensure that any possible assumptions of liability associated with our activities (particularly regarding warranties) are correctly documented, and remain limited to a justifiable measure. Should contractual provisions exceed our standards or should guarantees be accepted or contractual penalties be agreed upon, for example, this shall require the additional vote and decision of the Executive Board.

### 11.7 Complete risk assessment

The risks at the GFT Group are limited and clear. There are no known risks that could imperil the continuity of the group of companies, either today or in the future.

## 12 Supplementary report, opportunities, and forecast

Following the balance sheet date of 31 December 2006, no events of significant importance to GFT have occurred. The course of business during the first two months of 2007 confirms our estimates for the current year.

Accordingly, GFT is to gain above-average benefits from the positive impulses of the economic environment. Investments in information technology and its accompanying services will continue to be the driving force behind overall economic growth. GFT will gain opportunities for growth, thanks in particular to the concentration on business segments in the IT market, the promising

future potential of which has been confirmed. Many factors also indicate that the financial and logistics service provider industries, in which GFT is well positioned, will make above-average investments in IT services.

### Overall economy

Leading economic research institutes expect continuing favourable development in 2007, which will only weaken slightly. Thus, the world economy is to grow by 3.1% and the economy in Western and Central Europe is to grow by 2.3%. Economists are also predicting sustained and active economic growth for GFT's largest sales markets. While the VAT increase in Germany will probably slow down development somewhat, the economy in Spain is bouncing back. The forecasts are also positive for Switzerland, Great Britain and France.

### The IT market

The IT market should develop significantly more strongly than the overall market. The market researchers for the European Information Technology Observatory (EITO) are forecasting growth of 4.2% in 2007 for the IT market in the European Union. They are attaching above-average potential to Spain (+5.9%) and Great Britain (+4.2%), followed by France (+3.9%) and Germany (+3.0%). The experts regard the Software and IT Services market segments as driving forces, with pluses of 6.5% and 5.4%, respectively.

According to the Lünendonk market research company, the continuing trends of outsourcing and employing freelance workers lead to growth rates of more than 16% in the case of temporary employment and personnel services across the industries. A considerable portion of this should be allotted to the IT market. Last but not least, the looming shortage of qualified IT specialists will be responsible for generating essential incentives.

### Outlook

Our present level of incoming orders reflects these general market conditions. Against this background, the GFT Group is expecting clearly increasing revenues of € 190m. to 200m. for the 2007 financial year (2006: € 173.7m.) As in previous years, it can be assumed that revenues will continue to grow quarter after quarter.

Growing revenue, the improved utilisation of our development centres, and consistent cost management will result in our profitability increasing superproportionally. We are estimating an operating margin of 4.5% to 5.0% before taxes for the GFT Group for 2007 (2006: 3.8%). Accordingly, earnings per share will fluctuate between € 0.24 and € 0.26, depending upon the course of business (2006: € 0.19 or € 0.16 before the corporation tax balance pursuant to its section 37 [KStG]).

**We see the following opportunities and potentials in the individual segments:**

**The *Services* segment** is planning an increase in revenue of 5% to approximately € 86.5m. for financial year 2007 (2006: € 82.4m.) Adjusted by a major project in Brazil which will be outward bound in the middle of 2007, the increase totals approximately 10%. A series of major orders that we were assigned in 2006 are critical for achieving such increase. A growing number of such long term and large-volume development and maintenance orders provide us with planning certainty. They allow us to optimally deploy the necessary experts and thus increase productivity in our development facilities. As a consequence, the pre-tax operating margin will clearly increase to approximately 11% (2006: 9.1%).

Following the integration phase during the past financial year, the *Resourcing* segment is optimally positioned to greatly benefit from the high demand for freelance IT specialists. From today's perspective we are expecting revenue growth of 20% to approximately € 101m. (2006: € 84.2m.). The challenge lies in rapidly expanding the sales and processing capacities, in order to be able to tap the market potential. Therefore we are investing approximately 0.4% of our revenue in further growth, by building new sales locations in Great Britain and Switzerland. On this basis we estimate that the pre-tax operating margin will increase slightly to 1.8% (2006: 1.5%).

The *Software* segment will continue with its positive development and will take part in the high demand for solutions for Business Process Management (BPM). Following revenue growth of 26% in the past financial year, we are planning an increase of 10% to approximately € 7.8m. (2006: € 7.1m.) for 2007. The positive market environment encourages us to continuously invest in the further development of our products. At the same time, we are working on increasing the number of clients and installed applications: Medium-sized companies are the focus of our boosted marketing and sales activities. Furthermore, we want to consistently utilise the sales potentials that arise from major customers of the *Services* segment. Despite sustained investments, we are striving this financial year to achieve, for the first time, balanced earnings before taxes (2006: -7.7%).

Looked at overall, the financial year 2007 is a promising intermediate step in the development of GFT: In the 20th anniversary of the company's founding, the effect of the "Smart Growth" initiatives, through which we strengthen our market position and accelerate the profitable growth of the GFT Group, will not be missed. The qualification and commitment of our employees, the high level of satisfaction of our clients, and the positive mood in our target market, offer an outstanding base for this purpose. We are commencing the third decade of our company's history full of optimism, and are looking at the opportunities that should open up for us.

St. Georgen, 5 March 2007  
GFT Technologies Aktiengesellschaft  
The Executive Board



Ulrich Dietz  
Executive Board (Chairman)



Marika Lulay  
Executive Board



Dr. Jochen Ruetz  
Executive Board

# Consolidated Financial Statements

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<b>LIABILITIES</b>	<b>Notes</b>	<b>31/12/2006</b> €	<b>31/12/2005</b> €
<b>Shareholders' equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	(14)	26,325,946.00	26,325,946.00
Conditional capital € 8,280,000.00 (prev. year: € 8,280,000.00)			
Capital reserve	(14)	67,346,563.99	67,346,563.99
Retained earnings	(14)		
Legal reserve		1,387.65	1,387.65
Other revenues reserves		2,343,349.97	2,343,349.97
Changes in equity not affecting net income	(14)		
Foreign currency translations		42,176.11	87,641.94
Reserve of market assessment for securities		23,437.50	181,250.00
Consolidated balance sheet loss	(14)	-46,719,695.89	-51,829,043.39
		<b>49,363,165.33</b>	<b>44,457,096.16</b>
Minority interests	(14)	0.00	0.00
		<b>49,363,165.33</b>	<b>44,457,096.16</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions for pensions	(15)	837,692.00	820,394.00
Other provisions	(17)	1,652,317.77	1,314,982.41
Financial liabilities	(18, 19)	150,000.00	132,918.00
Other liabilities	(18, 20)	9,616.34	1,316,828.58
Deferred tax liabilities	(16)	197,443.17	499,675.24
		<b>2,847,069.28</b>	<b>4,084,798.23</b>
<b>Current liabilities</b>			
Other provisions	(17)	11,883,057.71	9,476,765.40
Current income tax liabilities	(16)	1,240,128.12	640,323.49
Financial liabilities	(18, 19)	2,415,840.80	10,332.00
Trade payables	(18)	15,593,508.15	10,261,121.35
Other liabilities	(18, 20)	8,852,680.04	9,428,013.64
		<b>39,985,214.82</b>	<b>29,816,555.88</b>
		<b>42,832,284.10</b>	<b>33,901,354.11</b>
		<b>92,195,449.43</b>	<b>78,358,450.27</b>

## Consolidated Income Statement (IFRS) for the period from 1 January to 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

	Notes	2006 €	2005 €
<b>Revenue</b>	(21)	173,677,688.18	120,944,113.35
Other operating income	(22)	2,956,765.43	4,319,249.13
Other capitalised service	(7)	326,781.02	0.00
		<b>176,961,234.63</b>	<b>125,263,362.48</b>
<b>Cost of materials</b>			
a) Expenses for raw materials and supplies and for purchased goods	(23)	575,002.77	548,964.89
b) Costs of purchased services	(23)	86,704,301.60	47,002,456.55
		<b>87,279,304.37</b>	<b>47,551,421.44</b>
<b>Personnel expenses</b>			
a) Salaries and wages	(23)	51,785,274.70	48,088,344.09
b) Social security and expenditures for retirement pensions	(15, 23)	10,150,329.47	9,380,132.12
		<b>61,935,604.17</b>	<b>57,468,476.21</b>
Depreciations on non-current intangible assets and of tangible assets	(24)	1,163,187.28	1,261,754.34
Other operating expenses	(25)	20,160,309.03	17,635,931.81
<b>Result from operating activities</b>		<b>6,422,829.78</b>	<b>1,345,778.68</b>
Other interest and similar income	(27)	632,954.64	761,966.67
Depreciation on financial assets and on securities	(13, 24)	276,100.00	496,300.00
Interest and similar expenses	(27)	115,080.11	32,653.62
<b>Financial result</b>		<b>241,774.53</b>	<b>233,013.05</b>
<b>Earnings before taxes</b>		<b>6,664,604.31</b>	<b>1,578,791.73</b>
Taxes on income and earnings	(16)	1,555,256.81	514,368.71
<b>Net income</b>		<b>5,109,347.50</b>	<b>1,064,423.02</b>
- attributable to minority interest	(14)	0.00	0.00
- attributable to equity holders of the parent (consolidated net income)	(14)	5,109,347.50	1,064,423.02
Loss carried forward from previous year		-51,829,043.39	-52,893,466.41
<b>Consolidated balance sheet loss</b>		<b>-46,719,695.89</b>	<b>-51,829,043.39</b>
Net earnings per share – undiluted	(30)	0.19	0.04
Net earnings per share – diluted	(30)	0.19	0.04

## Consolidated Cash Flow Statement (IFRS) as of 1 January until 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

	2006 €	2005 €
Net income	5,109,347.50	1,064,423.02
Depreciation of non-current intangible assets as well as financial assets	1,163,187.28	1,261,754.34
Changes in provisions	-2,027,654.47	-1,815,802.24
Other non-cash expenses/income	215,978.72	496,300.00
Profit/loss from the disposal of non-current tangible and intangible assets as well as financial assets	24,219.30	-4,711.22
Changes in trade receivables	-1,990,291.92	-4,909,602.23
Changes in other assets	-1,060,922.09	124,648.58
Changes in trade liabilities and other liabilities	67,423.54	2,938,632.47
<b>Cash flows from operating activities</b>	<b>1,501,287.86</b>	<b>-844,357.28</b>
Cash receipts from sales of tangible assets	54,653.15	87,358.30
Cash payments to acquire tangible assets	-941,395.27	-752,801.85
Cash receipts from sales of non-current intangible assets	0.00	62,500.00
Cash payments to acquire non-current intangible assets	-625,511.62	-324,647.26
Sale of consolidated companies net of cash and cash equivalents disposed of	-139,835.75	0.00
Acquisitions of consolidated companies net of purchased cash and cash equivalents	-6,018,984.81	0.00
Cash receipts for the short term financial management of cash investments	9,470,076.13	39,333,117.12
Cash receipts for the short term financial management of cash investments	-5,397,259.60	-37,369,961.34
<b>Cash flows from investing activities</b>	<b>-3,598,257.77</b>	<b>1,035,564.97</b>
Cash receipts from issuing bonds/loans	1,915,903.17	68,250.00
Cash payments for repayments of bonds/loans	-23,305.90	-5,807.49
Other changes in equity and minority interest	-203,278.33	-74,018.31
<b>Cash flows from financing activities</b>	<b>1,689,318.94</b>	<b>-11,575.80</b>
Change in cash funds from cash-relevant transactions	-407,650.97	179,631.89
Cash funds at the beginning of the period	20,652,062.51	20,472,430.62
<b>Cash funds at the end of the period</b>	<b>20,244,411.54</b>	<b>20,652,062.51</b>

## Consolidated Statement of Changes in Equity (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

	Subscribed capital €	Capital reserve €	Retained earnings	
			Legal reserve €	Other revenue reserves €
<b>As of 31 December 2004</b>	<b>26,325,946.00</b>	<b>67,346,563.99</b>	<b>1,387.65</b>	<b>2,343,349.97</b>
Write-off of negative goodwill 1 January 2005 (IFRS 3.81)				
<b>Adapted to 1 January 2005 version</b>	<b>26,325,946.00</b>	<b>67,346,563.99</b>	<b>1,387.65</b>	<b>2,343,349.97</b>
Financial assets available for sale (securities)				
- Change of fair value recognised in equity				
- Transferred to income statement				
Exchange differences on translating foreign subsidiaries				
Deferred taxes taken directly to or transferred from equity				
Income and expenses recognised directly in equity				
Net income				
Total income and expenses for financial year 2005				
<b>As of 31 December 2005</b>	<b>26,325,946.00</b>	<b>67,346,563.99</b>	<b>1,387.65</b>	<b>2,343,349.97</b>
Financial assets available for sale (securities)				
- Change of fair value recognised in equity				
- Transferred to income statement				
Exchange differences on translating foreign subsidiaries				
Deferred taxes taken directly to or transferred from equity				
Income and expenses recognised directly in equity				
Net income				
Total income and expenses for financial year 2006				
<b>As of 31 December 2006</b>	<b>26,325,946.00</b>	<b>67,346,563.99</b>	<b>1,387.65</b>	<b>2,343,349.97</b>

Changes in equity not affecting results			Equity attributable to equity holders of the parent	Minority interests	Total share capital
Foreign currency translations	Market assessment for securities	Consolidated balance sheet loss			
€	€	€	€	€	€
<b>52,910.25</b>	<b>0.00</b>	<b>-52,958,512.85</b>	<b>43,111,645.01</b>	<b>0.00</b>	<b>43,111,645.01</b>
		65,046.44	65,046.44		65,046.44
<b>52,910.25</b>	<b>0.00</b>	<b>-52,893,466.41</b>	<b>43,176,691.45</b>	<b>0.00</b>	<b>43,176,691.45</b>
	290,000.00		290,000.00		290,000.00
	0.00		0.00		0.00
34,731.69			34,731.69		34,731.69
	-108,750.00		-108,750.00		-108,750.00
34,731.69	181,250.00	0.00	215,981.69	0.00	215,981.69
		1,064,423.02	1,064,423.02	0.00	1,064,423.02
34,731.69	181,250.00	1,064,423.02	1,280,404.71	0.00	1,280,404.71
<b>87,641.94</b>	<b>181,250.00</b>	<b>-51,829,043.39</b>	<b>44,457,096.16</b>	<b>0.00</b>	<b>44,457,096.16</b>
	-6,000.00		-6,000.00		-6,000.00
	-246,500.00		-246,500.00		-246,500.00
-45,465.83			-45,465.83		-45,465.83
	94,687.50		94,687.50		94,687.50
-45,465.83	-157,812.50	0.00	-203,278.33	0.00	-203,278.33
		5,109,347.50	5,109,347.50	0.00	5,109,347.50
-45,465.83	-157,812.50	5,109,347.50	4,906,069.17	0.00	4,906,069.17
<b>42,176.11</b>	<b>23,437.50</b>	<b>-46,719,695.89</b>	<b>49,363,165.33</b>	<b>0.00</b>	<b>49,363,165.33</b>

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### General data and methods

#### 1. General information

The Consolidated Financial Statements of GFT Technologies Aktiengesellschaft ("GFT AG") for the financial year 2006 have been drawn up using Article 315a of the German Commercial Code, in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as they are to be applied in the EU, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Consolidated Financial Statements of the GFT Technologies AG as of 31 December 2006 is consistent with IFRS which has to be applied within the EU and has become effective until the closing date.

The Consolidated Financial Statements have been drawn-up in Euro. The income statement was prepared pursuant to the total cost method. The Consolidated Financial Statements were approved by the Executive Board on 5 March 2007, and released for publication by the Supervisory Board on 26 March 2007.

GFT is an international provider of innovative IT solutions, active in the *Services*, *Resourcing*, and *Software* divisions (see Segment report). GFT AG is registered in Germany in the legal form of a public limited company with headquarters at Leopoldstr. 1, 78112 St. Georgen. GFT AG is the ultimate parent company of the GFT Group.

#### 2. Effects of new or changed standards

As of 1 January 2005 the newly issued IFRS, as part of the so-called improvement project of the IASB, as well as the adopted changes in existing standards apply. New or changed standards which are to be applied with effect of the financial year 2006 haven't had any consequences for the Consolidated Financial Statements of the GFT Technologies AG as of 31 December 2006.

#### 3. Scope of Consolidated Financial Statements

In the Consolidated Financial Statements as of 31 December 2006 in addition to GFT Technologies AG ("GFT AG") the following subsidiaries were also included (fully consolidated):

- GFT Technologies (Schweiz) AG, Wallisellen, Switzerland
- GFT Solutions GmbH, Hamburg, Germany
- GFT Technologies GmbH, Vienna, Austria
- GFT UK Limited, London, Great Britain
- GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain
- emagine gmbh, Eschborn, Germany
- GFT Technologies (India) Private Limited, Trichy, India
- Emagine Servicios de Consultoría e Informática, S.A., Sant Cugat del Vallés, Spain
- GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil
- GFT Resource Management GmbH, Eschborn (included for the first time), Germany
- GFT Flexwork GmbH, Berlin (included for the first time), Germany
- GFT Technologies SARL, Paris (included for the first time), France
- GFT Business Development GmbH, Eschborn (included for the first time), Germany

As of 31 January 2006 GFT AG has acquired all shares in a business of the following companies:

1. GFT Technologies SARL, Paris, France
  2. GFT Resource Management GmbH, Eschborn, Germany  
including its subsidiaries  
GFT Flexwork GmbH, Berlin, Germany  
Parity Eurosoft GmbH, Frankfurt am Main, Germany, and  
Parity Business Solutions GmbH, Frankfurt am Main, Germany
- all five companies together are called "Parity-companies"

The companies named above were included in the Consolidated Financial Statements for the first time at the time of acquisition, 31 January 2006. Their contribution to the revenues of the GFT Group in the financial year amounted to € 40.1m. (23.1%), contributing € 0.8m. (11.8%) to earnings before tax and € 0.7m. (12.8%) to annual net income for 2006. The share of Parity-companies in the Group's assets as of 31 December 2006, amounts to € 14.5m. (15.8%), with the share in trade receivables constituting € 12.3m. (36.1%). The asset, financial, and earnings position of the Group is influenced by the first-time inclusion of the companies mentioned above, impeding comparison with figures from prior years.

Parity Eurosoft GmbH and Parity Business Solutions GmbH were consolidated into GFT Resource Management GmbH (absorbing legal entity) effective 1 January 2006. The consolidations had no impact on the Consolidated Financial Statements as of 31 December 2006.

On 10 February 2006, GFT AG purchased 100% of the shares in GFT Business Development GmbH, Eschborn, which is included in the Consolidated Financial Statements from this time onwards. As this company did not engage in operating activities from the time it was purchased until 31 December 2006, first-time inclusion did not have a significant impact on the asset, financial, or earnings position of the Group; similarly there is no effect on comparability with previous year's figures.

We refer to Point 28 in connection with the mergers during financial year 2006 (Parity-companies and GFT Business Development GmbH).

The subsidiary, GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil, acquired in November 2005, was included in the Consolidated Financial Statements for the first time. As this company did not engage in operating activities from the time it was purchased until 31 December 2006, first-time inclusion did not have a significant impact on the asset, financial, or earnings position of the Group; similarly there is no effect on comparability with previous year's figures.

All shares in the subsidiary GFT Websolutions Kft., Budapest, Hungary, were sold by GFT AG on 29 December 2006. GFT Websolutions Kft. was excluded from the scope of consolidation as of 29 December 2006. The share of GFT Websolutions Kft. in the Group's revenues amounted to 0.6% in the financial year 2005 and 0.2% in the financial year 2006; at the time it was excluded from the consolidation the share in the Group's assets was 0.3%. The sale of GFT Websolutions Kft. has had no significant impact on the Group's asset, financial, and earnings position; expenses related to the sale totalled €(k) -115.

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### 4. Consolidation methods

Assets and liabilities of domestic and foreign companies included in the Consolidated Financial Statements are stated in accordance with uniformly applicable accounting and valuation methods.

Capital was consolidated through application of the purchase method by offsetting the investment book values with the revalued equity of the subsidiaries at the time of acquisition. In this process, assets, debts and possible liabilities are stated at their current value. Remaining differences are reported as goodwill. The hidden reserves and encumbrances disclosed are amortised on the basis of the corresponding assets and debts. The stock market price on the day of transfer, or a minimum price contractually guaranteed to the purchaser, was the basis for the historical costs of shares in subsidiaries purchased through surrender of GFT shares.

The write-ups or depreciation on equity interests in group companies shown in individual financial statements have been cancelled again in the Consolidated Financial Statements.

Group-internal gains and losses, revenue, expenses, and income, as well as receivables and liabilities existing between consolidated companies are eliminated. Particularly assets included in assets and inventories from group-internal deliveries and services are adjusted by intercompany profits.

Income tax effects have been taken into consideration and deferred taxes are reported in the consolidation processes.

The Consolidated Financial Statements include businesses of those companies in which GFT AG holds the majority of voting rights either directly or indirectly (subsidiaries), or due to its economic authority arising from the activity of the affected companies, can take a majority of the economic impact, or must carry a majority of the risk, usually through an equity holding in excess of 50%. Inclusion starts at the moment the possibility of dominance exists. It ends when the possibility of dominance no longer exists.

On the other hand, those investments in which GFT AG exercises a significant influence – usually due to an equity holding ranging between 20 and 50% – are valued in accordance with the equity method. For investments valued in accordance with the equity method, historical costs are increased or reduced annually by the amount of respective equity changes in the GFT stake. For first-time inclusion of investments in accordance with the equity method, differences from first-time consolidation are treated in accordance with the principles of full consolidation. Currently GFT does not hold an investment that must be valued in accordance with the equity method.

The balance sheet dates of companies included in the Consolidated Financial Statements correspond to the date of the Consolidated Financial Statements (31 December).

## 5. Currency translation

In the individual financial statements of the consolidated companies foreign currency transactions are translated at the rates valid at the time of the business transaction. In the balance sheets monetary items in foreign currency are translated at the closing rate at year end, and the foreign exchange gains and losses are recognised in a manner that affects earnings.

The annual financial statements of foreign group companies are translated into Euro as stipulated in IAS 21, in accordance with the functional currency concept. Currently for all subsidiaries this is the respective national currency, as these companies operate their business in a manner that is financially, economically, and organisationally autonomous. Thus assets and liabilities are translated at the rate prevailing on the balance sheet date, expenses and earnings are translated at the annual average rate. Differences are shown separately in equity as "Offsetting items for currency translation". If Group companies leave the consolidated group, then the applicable currency translation difference is liquidated in a manner that affects earnings.

## 6. Essential accounting and valuation methods

### Intangible assets and impairment test

Intangible assets acquired for consideration are activated at historical costs and – with the exception of goodwill and intangible assets with indeterminate useful life – are subject to linear depreciation over their economic useful life. This particularly involves software that is depreciated over three years; the depreciations start at the purchase date. Impairments are taken into consideration through non-scheduled depreciation. In the event of discontinuation of the reasons for non-scheduled depreciation, appropriate write-ups are undertaken that should not exceed the amortised historical cost.

Intangible assets with indeterminate useful life do not exist in the GFT Group.

Goodwill, including goodwill from the capital consolidation is no longer subject to scheduled depreciation. In accordance with IFRS 3 and the reworked standards IAS 36 and IAS 38 in this respect, goodwill is audited annually for possible impairment. If such events or changed circumstances arise that would indicate a possible impairment, then the impairment test must be performed more frequently.

As part of the impairment test of assets in the GFT Group the residual book values of individual cash-generating units with their respective recoverable amount, i.e. the higher value from fair value less costs to sell, and its value in use are compared. In accordance with the definition of a cash-generating unit, the strategic divisions of the GFT group are always used as cash generating units.

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

In those cases where the book value of the cash-generating unit is higher than its recoverable amount, an impairment loss is present in the amount of the difference. In the first step, goodwill of the affected strategic unit thus determined is written off in the amount of the impairments and recognised as expense. A possible remaining residual amount is distributed over the other assets of the respective strategic business unit proportionally to book value. Value adjustments are shown in the income statement under depreciation.

The cash value of future payments is used as the basis to determine the recoverable amount, due to ongoing use of the strategic unit and whose disposal is expected at the end of its useful life. The payment forecast is based on the current plans of the GFT Group. The capitalisation rate is determined as pre-tax rate, with consideration of a risk component.

### Research and development costs, internally produced intangible assets

Research costs are recognised as an expense when they are incurred. Development costs for software products are capitalised as intangible assets provided the capitalisation requirements under IAS 38 are satisfied, and in particular provided that a foreseeable future economic benefit for the GFT Group is expected to be generated by the asset. If the requirements for capitalisation are not met, development expenditures are expensed in the period in which they are incurred. The acquisition or production cost of an internally produced intangible asset includes all costs that can be directly allocated to the development process and an appropriate share of development related overhead costs. Financing costs are not capitalised. Depreciation is charged over three years from the time of completion on a straight-line basis.

### Tangible assets

Tangible assets are stated at historical costs, reduced by scheduled use-related depreciation and non-scheduled depreciation. Schedule depreciation is executed linearly over the useful life, from three to thirteen years. Repairs and maintenance costs are recognised as expense when they are incurred. Retroactive historical or production costs are activated if there is future economic benefit through the costs associated with the tangible asset.

Non-scheduled depreciation on intangible assets is executed in accordance with IAS 36 if the recoverable amount of the respective asset has dropped below the book value. The recoverable amount is the higher value from value in use and fair value, minus selling costs. In the event of discontinuance of the reasons for non-scheduled depreciation then appropriate write-ups are undertaken. See the information on intangible assets and impairment test above for the impairment test procedure.

If tangible assets (or long term immaterial assets) are leased, and if the economic ownership remains with the respective Group company ("finance lease"), then such assets are activated at the beginning of the leasing relationship at fair value, or with the lower cash value of the minimum leasing rate in accordance with IAS 17, and depreciated according to useful life; the respective payment liabilities from future leasing rates are recorded as liabilities. If economic ownership remains with the lessor, then the leasing rates are recognised linearly as expense over the term of the leasing relationship ("operating lease").

### **Inventories and work in progress**

In accordance with IAS 2 those assets are shown under inventories that are held for sale in the course of normal business (goods). The goods are valued at historical costs, or lower net realisable value, on the balance sheet date.

Work in progress is treated in accordance with IAS 18 or IAS 11 based on percentage of completion that has been realised and the associated contract costs. Profit is thus realised in accordance with the services provided as of the balance sheet date, in this process the percentage of completion is determined for projects on the basis of employee/subcontractor project time. Project losses are recognised immediately as expense.

### **Financial instruments**

Financial instruments are contracts that result in a financial asset for one company and a financial liability for another company, or that result in an equity instrument. Financial instruments are reported at usual purchase or sale on the date of settlement, i.e. the date the asset is transferred.

Financial instruments are categorised as either primary or derivative financial instruments.

#### **Primary financial instruments**

Primary financial instruments on the assets side (financial assets) particularly involve trade receivables, securities, other assets, as well as cash and cash equivalents. Primary financial instruments on the liabilities side (financial liabilities) are particularly financial liabilities, trade liabilities, and other liabilities.

Financial assets are valued at GFT in accordance with IAS 39 in the categories "available for sale", "fair value through profit and loss", or "loans and receivables". Assets in the categories "available for sale" and "fair value through profit and loss" are valued at fair value; assets in the category "loans and receivables" are valued at amortised cost through application of the effective interest rate method.

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

**Fair value** usually corresponds to the market value or stock market value. The market value of a primary financial instrument is the price that can be obtained on the market, i.e. the price at which the financial instrument is freely traded in an ongoing transaction between two partners that are independent of each other. If an active market does not exist for a security then the fair value is determined via financial-mathematical methods and it is verified by bank confirmation.

If objective substantial indications are present for an impairment then determination is made as to whether the book value exceeds the cash value of the expected future cash flow. If this is the case then an impairment is undertaken in the amount of the difference. Indications that an impairment is required are manifest in worsening of the market value, significant worsening of creditworthiness, concrete breach of contract, increased likelihood of insolvency, or the necessity of financial reorganisation of the debtor responsible for the liability, as well as disappearance of an active market. If there is discontinuance of the reasons for the impairment then a reversal of impairment loss is undertaken.

**Trade receivables** are allocated to the category "loans and receivables". They are reported with amortised historical costs. Questionable receivables are assessed at an amount that is considered to be realisable due to the probability of default. As soon as it is known that a certain liability is associated with risk that extends beyond the general credit risk (e.g. poor creditworthiness on the part of the debtor) then the receivable is checked and – if the circumstances indicate that the receivable is uncollectable – then it is considered to be impaired.

**Securities** are classified as assets that are either available for sale or assets at fair value through profit or loss, for the first-time recognition. Securities in the available for sale category are reported at fair value. Profit or loss due to a change in the fair value of an available for sale security is directly recognised in equity in the reserve "Market value securities" – with the exception of impairments, and profits and losses from currency translation – until the security is depreciated. At this time cumulative profit or loss, which was previously stated in equity, is recognised in the results for the period. Profit or loss due to a change in the fair value of a security of the "asset at fair value through profit or loss category" is stated directly in the results for the period.

**Cash and cash equivalents** are reported at the nominal amount.

**Other financial assets** are assigned to the category "loans and receivables" and reported with amortised historical costs. If this is an indication of impairment for another financial asset, then a value adjustment is made to the cash value of the expected future cash flow. If there is discontinuance of the reasons for the impairment then appropriate reversals of impairment loss are undertaken. However, reversal of impairment loss is not considered beyond historical costs.

**Financial liabilities** are valued at the amortised historical costs. For short term financial liabilities this means they are shown with their redemption amount. Long term liabilities as well as net financial debt are reported at amortised historical costs using the effective interest method, as long as they do not present the hedged item in a hedge accounting context.

For other receivables and liabilities, as well as cash and cash equivalents there are no significant differences between book values and market values due to the short term involved.

#### **Derivative financial instruments**

Derivatives are considered to be held for trading purposes and thus fall in the category of financial assets or liabilities at fair value through profit and loss with the exception of derivatives that have been designated as hedge instruments and that are effective as such.

Derivatives that serve as interest rate, currency rate or price hedges in the GFT Group in accordance with business administration criteria, which however do not satisfy the rigorous IAS 39 criteria, are assigned to the category "fair value through profit and loss". As of 31 December 2006 there is such a derivative existing same as of the key date in the previous year (same interest rate swap), whereas the loss from changing the current value which has to be enclosed, has been included in the period result. Besides in 2006 the operational security function has not been applicable due to the divestiture of the security.

The prerequisite for reporting hedge accounting is that the clear hedge context between hedged item and hedge instrument must be documented and verified. Reporting consideration of fair value changes of hedge instruments depends on the type of hedge accounting. In the case of a hedge against value change risks for balance sheet items (fair value hedges) the hedge instrument, as well as the secured risk asset ratio of the hedged item, are stated at fair value. Changes in valuation are reported in a manner that affects earnings. For cash flow hedges valuation of the hedge instrument is likewise made at fair value. Value changes of the effective portion of the derivative are first recognised directly in equity in a separate reserve, and are only recognised in a manner that affects earnings when the hedged item is realised. The ineffective portion of the hedge is immediately recognised in a manner that affects earnings. As of 31 December 2006 there was no derivative that was part of a hedge accounting in accordance with IAS 39.

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### **Other receivables and liabilities as well as borrowing costs**

Deferments, prepayments, as well as non-financial assets and liabilities are stated with the amortised historical costs. They are liquidated linearly or according to the provision of service.

Borrowing costs are recorded as an expense in the period in which they occur without consideration of the use of the borrowed capital.

### **Provisions**

Provisions for benefits for employees are made according to IAS 19. Actuarial valuation of pension provisions is based on the projected unit credit method prescribed in IAS 19. In addition to pensions and acquired entitlements known at the balance sheet date, expected future increases in salaries and pensions are also considered.

Provisions are formed in agreement with IAS 37 if, relative to third parties a present liability exists from a past event that in the future probably results in an outflow of resources, and its amount can be reliably estimated. Other provisions are valued in accordance with IAS 37, possibly also in accordance with IAS 19, using the best possible estimate of the expenses that would be required to discharge the present liability as of the balance sheet date. If outflows of funds for a liability are only anticipated after more than one year, then the provisions are stated with the cash value of the foreseeable outflow of funds. Provisions are not offset with retrospective claims.

### **Revenue realisation and profit realisation**

Revenues from sales of goods are realised if the goods have been delivered and the risk has been transferred to the customer.

Revenues from production contracts and services are realised in accordance with IAS 11 and IAS 18, based on the percentage of completion of the business on the balance sheet date, employing the percentage of completion method. Earnings are captured if the amount of revenue can be reliably estimated, if it is sufficiently probable that the economic benefit will accrue to the GFT Group, if the percentage of completion can be reliably determined on the balance sheet date, and if the costs incurred for the business, as well as the costs that can be anticipated until it is fully completed, can be reliably determined.

Profit realisation from interest, user fees, rents, income under license agreements, and equivalent items is limited to the period; dividend earnings are realised with creation of legal title.

### **Income tax**

Actual income tax is determined in accordance with the tax law of the countries in which the respective company is active.

Calculation of deferred income tax in accordance with IAS 12 includes tax deferrals and accruals of assets and liabilities on different valuations of assets and liabilities in the balance of trade (IFRS), on consolidation processes and on realisable taxable loss carry-forwards. Deferred taxes assets for deductible temporary differences, and for taxable loss carry forwards that exceed the taxable temporary differences are only shown in the extent to which it can be assumed with adequate probability that the respective company will earn sufficient taxable income to realise the respective benefit. Deferred tax assets and deferred tax liabilities are shown separately in the balance sheet. Deferred taxes are valued at the tax rates that are valid on the balance sheet date or that will legally come into force in the future. For business activity in Germany, company-specific mixed tax rates are stated that range between 37.5% and 40.3% (in the previous year between 37.5% and 40.3%) for consideration of corporate income tax and trade tax effects.

### **Management estimates and judgements**

In drawing up the Consolidated Financial Statements, assumptions and estimates must be made to a certain extent, that effect the amount and the presentation of reported assets and liabilities, earnings and expenses, as well as possible liabilities for the reporting period. The estimates and judgement essentially are based on assessment of the intrinsic value of intangible assets, determination of economic useful life for fixed assets, the percentage of completion of customer projects in progress, the collectability of receivables, accounting and valuation of provisions, and the usability of taxable loss carry-forwards that have resulted in the statement of deferred taxes. Estimates and judgements are made on the basis of the most current information available. Due to developments that deviate from, or that are beyond Management's sphere of influence actual amounts can vary from the originally expected estimated values. If actual development deviates from expected development then the premises, and if necessary the book values, of the assets and liabilities concerned are adjusted accordingly. At the time the Consolidated Financial Statements were drawn up there were no significant risks underlying the estimates and judgements, so that from the present perspective there is no reason to assume a significant adjustment to book values of assets and debts shown in the Consolidated Financial Statements in the following financial year.

## Consolidated Fixed Assets

GFT Technologies Aktiengesellschaft, St. Georgen

	Acquisition or production costs					As of 31/12/2006 €
	As of 01/01/2006 €	Additions from changes in the scope of consolidation €	Additions €	Disposals €	Disposals from changes in the scope of consolidation €	
<b>Intangible assets</b>						
Other intangible assets	5,104,344.55	4,522.39	298,730.60	40,808.36	30,096.23	5,336,692.95
Development costs for self developed software	0.00	0.00	326,781.02	0.00	0.00	326,781.02
Licenses, industrial property rights and similar rights	5,104,344.55	4,522.39	625,511.62	40,808.36	30,096.23	5,663,473.97
Goodwill	15,347,712.05	5,017,298.52	0.00	0.00	0.00	20,365,010.57
	<b>20,452,056.60</b>	<b>5,021,820.91</b>	<b>625,511.62</b>	<b>40,808.36</b>	<b>30,096.23</b>	<b>26,028,484.54</b>
<b>Tangible assets</b>						
Other equipment, office and factory equipment	12,643,593.04	323,547.62	941,395.27	402,790.09	146,300.97	13,359,444.87
<b>Financial assets</b>						
Investments	1,209,503.00	0.00	0.00	0.00	0.00	1,209,503.00
	<b>34,305,152.64</b>	<b>5,345,368.53</b>	<b>1,566,906.89</b>	<b>443,598.45</b>	<b>176,397.20</b>	<b>40,597,432.41</b>

Depreciation					Book values		
As of 01/01/2006 €	Additions from changes in the scope of consolidation €	Depreciation of the financial year €	Disposals €	Disposals from changes in the scope of consolidation €	As of 31/12/2006 €	As of 31/12/2006 €	As of 31/12/2005 €
4,722,267.04	4,522.39	256,767.87	40,512.58	22,322.67	4,920,722.05	415,970.90	382,077.51
0.00	0.00	0.00	0.00	0.00	0.00	326,781.02	0.00
4,722,267.04	4,522.39	256,767.87	40,512.58	22,322.67	4,920,722.05	742,751.92	382,077.51
0.00	0.00	0.00	0.00	0.00	0.00	20,365,010.57	15,347,712.05
4,722,267.04	4,522.39	256,767.87	40,512.58	22,322.67	4,920,722.05	21,107,762.49	15,729,789.56
10,164,920.99	286,385.99	906,419.41	324,213.42	122,054.02	10,911,458.95	2,447,985.92	2,478,672.05
1,209,503.00	0.00	0.00	0.00	0.00	1,209,503.00	0.00	0.00
<b>16,096,691.03</b>	<b>290,908.38</b>	<b>1,163,187.28</b>	<b>364,726.00</b>	<b>144,376.69</b>	<b>17,041,684.00</b>	<b>23,555,748.41</b>	<b>18,208,461.61</b>

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### Explanations of the income statement

#### 7. Intangible assets, goodwill

The development of intangible assets, including goodwill of the GFT Group, is presented on pages 84 to 85. The columns "Additions from changes in the scope of consolidation" show the additions from the mergers of the Parity-companies and GFT Business Development GmbH and "Disposals from changes in the scope of consolidation" shows disposals from the deconsolidation of GFT Websolutions Kft, Budapest, Hungary. We refer to Point 3 (Scope of consolidation) and Point 28 (Mergers) in this connection.

Since 1 January 2005 goodwill is no longer subject to scheduled amortisation rather it is tested once a year for impairment in accordance with IAS 36. The impairment test of goodwill was performed on the basis of the future anticipated cash flow as derived from planning. Planning is based on the approved budget for the coming 2007 financial year, which has been carried forward with defined growth rates for the subsequent two years. Third year values have then been considered as constant for the extended future. Cash flow has been discounted with a uniform discount rate of 9% before taxes. The recoverable amount of the cash-generating units has thus been determined as value in use.

For the cash flow forecasts for the cash generating unit "Services – Finance & Insurance" the management assumes that the existing customer business with the Deutsche Bank will continue on a sustainable high level, that the existing business with the Deutsche Post will appreciably rise in the following year due to an acquired major project and the further growth will be mainly driven by business from new clients. For the payment generating segment "Resourcing" the management assumes a positive developing with the existing clients and an continuous growth with new clients. Our assumptions are based on experience, as well as on the signals received from the markets.

The book value of overall goodwill is assigned to the cash-generating units as follows:

	31/12/2006 €(k)	31/12/2005 €(k)
<b>Cash-generating units</b>		
Services – Finance & Insurance	14,336	14,333
Services – Postal, Logistics & Others	-	-
Resourcing	6,029	1,015
Software	-	-
	<b>20,365</b>	<b>15,348</b>

Due to the results of the impairment test in financial year 2006 (as in the previous year) non-scheduled amortisation of goodwill was not undertaken.

Changes in goodwill reported during the financial year are as follows:

	2006 €(k)	2005 €(k)
Book value = Gross amount on 01/01/2006	15,348	15,283
Addition due to mergers Parity-companies 31/01/2006	5,014	-
Addition due to merger GFT Business Development GmbH 10/02/2006	3	-
Write-off of negative goodwill 01/01/2005 (IFRS 3.81)	-	65
<b>Book value = Gross amount on 31/12/2006</b>	<b>20,365</b>	<b>15,348</b>

We refer to Point 28 in connection with the mergers mentioned.

Intangible assets reported under licenses, industrial property rights and similar rights relate to software acquired for consideration (€(k) 416; prev. year: €(k) 382), as well as capitalised development costs for internally generated software developed in-house (€(k) 327; prev. year: €(k) –). Intangible assets with indeterminate useful life do not exist in the GFT Group.

## 8. Tangible assets

The development of tangible assets of the GFT Group is presented on pages 84 and 85. The column “Additions from changes in the scope of consolidation” shows the additions from the mergers of the Parity-companies and GFT Business Development GmbH and “Disposals from changes in the scope of consolidation” show disposals from the deconsolidation of GFT Websolutions Kft, Budapest, Hungary. We refer to Point 3 (Scope of consolidation) and Point 28 (Mergers) in this connection.

Non-scheduled depreciation of tangible assets due to impairments were not required in 2006, as was the case in the previous year.

## 9. Financial assets

The investments shown as financial assets are the investments in Thinkmap, Inc., New York, USA (5.5%; prev. year: 18.7%), as well as in incowia GmbH (formerly GFT Systems GmbH), Ilmenau (10.0%; prev. year: 10.0%). The investment in Thinkmap, Inc. was already written down to zero in 2002 and the investment in incowia GmbH written down to zero in 2004 due to depreciation. GFT AG's share in Thinkmap, Inc., was reduced from 18.7% to 5.5% due to a capital increase that took place in which GFT did not participate.

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### 10. Investment holdings

As of 31 December 2006 GFT AG holds direct and indirect shares of at least 20% in the following companies:

<u>Name</u>	<u>Head office</u>	<u>Share in capital</u>	<u>Equity 31/12/2006</u>	<u>Results for the business year</u>
<b>Direct investment</b>				
GFT Technologies (Schweiz) AG	Wallisellen, Switzerland	99%	CHF 141,273.04	CHF 121,273.04
GFT Solutions GmbH	Hamburg, Germany	100%	EUR 456,873.94	EUR 374,557.35
GFT Technologies GmbH	Vienna, Austria	100%	EUR -124,354.13	EUR -144,354.13
GFT UK Limited	London, Great Britain	100%	EUR 1,407,977.87	EUR 761,084.36
GFT Iberia Solutions, S.A.	Sant Cugat del Vallés, Spain	100%	EUR 5,108,491.06	EUR 2,684,204.09
emagine gmbh	Eschborn, Germany	100%	EUR 32,570.68	EUR 2,146.29
GFT Technologies (India) Private Limited	Trichy, India	100%	INR 27,231,763	INR 7,257,378
GFT Resource Management GmbH	Eschborn, Germany	100%	EUR 1,778,983.85	EUR 484,396.20
GFT Technologies SARL	Paris, France	100%	EUR 891,871.03	EUR 113,922.34
GFT Business Development GmbH	Eschborn, Germany	100%	EUR 17,912.39	EUR -7,087.61
<b>Indirect Investment</b>				
Emagine Servicios de Consultoría e Informática, S.A.	Sant Cugat del Vallés, Spain	100%	EUR 1,739,086.82	EUR 837,756.93
GFT Brasil Consultoria Informática Ltda.	São Paulo, Brasil	100%	BRL -153,673.43	BRL -269,458.05
GFT Flexwork GmbH	Berlin, Germany	100%	EUR 375,000.00	EUR 20,035.30*)

\*) There is an agreement for the shifting of profits between GFT Flexwork GmbH (profit shifting company) and GFT Resource Management GmbH.

### 11. Inventories and trade receivables

As in the previous year, the inventories shown involve goods (hardware and software) that are scheduled for sale as within the framework of projects.

The trade receivables result from on-going business and are all due in the short term, as in the previous year. Required individual value adjustments based on the probable risk of default are taken into account with €(k) 693 (prev. year: €(k) 940). Trade receivables, in accordance with IAS 11, include realised revenue from unfinished projects as of the balance sheet date in the amount of €(k) 7,402 (prev. year: €(k) 3,986) minus prepayments received in the amount of €(k) 1,034 (prev. year: €(k) 2,757).

## 12. Other assets

Other assets can be broken down as follows:

	31/12/2006 €(k)	31/12/2005 €(k)
<b>Non-current assets</b>		
Deposits	426	246
<b>Other current assets</b>		
Claims for VAT and other tax refunds	1,555	679
Claims from retained guarantees	289	376
Claim from guarantee deductions	238	-
Deferred interest	180	312
Deposits	138	66
Balance of purchase price from selling GFT Websolutions Kft., Budapest, Hungary	110	-
Creditors with debit balance	64	20
Receivables from employees	14	20
Balance of purchase price from sale of "GFT Media"	-	400
Receivable for grants	-	61
Balance of purchase price from sale of "emagine Hauptversammlungsservice"	-	59
Insurance settlements	-	56
Other	46	150
	<b>2,634</b>	<b>2,199</b>
<b>Total other assets</b>	<b>3,060</b>	<b>2,445</b>

## 13. Securities as well as cash and cash equivalents

As of 31 December 2006, GFT Group securities are used for contingency capital insurance and interest rate optimisation and consist of fixed and variable interest rate debt instruments:

	31/12/2006 €(k)	31/12/2005 €(k)
<b>Category in accordance with IAS 39</b>		
Financial assets at fair value through profit and loss	3,460	6,706
Financial assets available for sale	187	1,290
	<b>3,647</b>	<b>7,996</b>

Valuation of securities available for sale resulted in the current financial year in "Market valuation securities" in equity of €(k) 276 (prev. year: €(k) 496).

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Changes in the fair value of "available for sale" securities resulted in a reduction in the "Reserve for market value securities" in equity of €(k) 6 (previous year an increase of €(k) 290). The "Reserve for market value securities" as of 31 December 2006 amounts to €(k) 37, minus deferred taxes of €(k) 14 (previous year €(k) 290 minus deferred taxes of €(k) 109). As a result of the sale of "available-for-sale" securities during the financial year 2006, gains in the amount of €(k) 247 (prev. year: €(k) –) recorded previously in equity were taken to income during the period.

Cash and cash equivalents include cash (€(k) 4; prev. year: €(k) 7) and short term liquid credit at banks (€(k) 20,240; prev. year: €(k) 20,645).

### 14. Shareholders' equity

Please refer to the separately presented statement of changes in equity for equity development during financial years 2006 and 2005.

As of 31 December 2006 share capital in the amount of € 26,325,946.00 consisted of 26,325,946 non-par ordinary shares (unchanged from 31 December 2005). The shares are bearer shares and all grant equal rights.

The capital reserve includes the amount that was obtained in the issue of shares over the calculated value. The accumulated profit reserves are amounts that were formed in previous financial years from results.

The changes in equity not affecting results include income and expenses from currency translation (IAS 21) and from the valuation of securities that are classified as financial assets available for sale (IAS 39).

The consolidated accumulated loss as of 31 December 2005 includes an adjusted balance carried forward from the previous year of €(k) -52,893. The adjustment of €(k) 65 reflects the write off of negative goodwill as of 1 January 2005 due to the initial application of IFRS 3.

#### Authorised capital

By resolution of the Annual General Meeting on 23 May 2006, authorisations under section 4 (5) and 4 (6) of the Articles of Association to increase the Company's share capital on or before 26 May 2007, by up to € 7,500,000.00 and € 2,632,594.00, respectively (Authorised Capital I/2002 and II/2002) were rescinded. New authorised capital was created as detailed below:

In accordance with the resolution passed by the Annual General Meeting of 23 May 2006, the Executive Board is authorised to increase the share capital on or before 22 May 2011, with the consent of the Supervisory Board, through the issuance of new bearer shares against contributions in cash or in kind up to a total of € 10,000,000.00 on one or more occasions (Authorised Capital). The Executive Board is authorised to exclude shareholders' subscription rights with the consent of the Supervisory Board in the following cases:

- To waive subscription rights for fractional amounts;
- For capital increases against contributions in kind in order to grant shares for the purpose of acquiring companies or holdings in companies;
- In the event of a capital increase against cash contributions, provided that the issue price of the new shares is not significantly lower than the stock exchange price and provided that the proportionate amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed ten percent of share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised;
- In the event of a capital increase for the issue of employee shares, provided that the proportionate amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed ten percent of share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised.

The Executive Board is authorised to establish additional details for the execution of a capital increase from authorised capital with the consent of the Supervisory Board.

Under-utilised, authorised capital in the amount of € 10,000,000.00 (prev. year: € 10,132,594.00) is in existence as of 31 December 2006.

#### **Conditional capital**

Conditional capital amounted to € 8,280,000.00 as of 31 December 2006 (prev. year: € 8,280,000.00).

Share capital is conditionally increased up to a nominal € 780,000.00, divided in up to 780,000 individual bearer share certificates (Conditional capital I/1999). This conditional capital increase serves the granting of subscription rights to members of the Executive Board and Company employees, as well as to members of executive management and employees of affiliated companies, in accordance with the resolution of the Annual General Meeting of 4 June 1999. The conditional capital increase will only be executed to the extent that holders of subscription rights utilise these rights. New shares participate in profits from the beginning of the financial year in which the exercise of subscription rights has taken place. The Executive Board is authorised to establish details on the execution of the conditional capital increase, as well as to define subscription rights with the consent of the Supervisory Board, provided this is in accordance with the resolution of the Annual General Meeting on 4 June 1999.

The Annual General Meeting of 29 May 2002 decided on a conditional capital increase of up to € 7,500,000, through the issuance of up to 7,500,000 new individual bearer share certificates, with an entitlement to dividends starting at the beginning of the business year for such issuance (Conditional capital II/2002). The conditional capital increase serves the granting of shares to the owners or creditors of option or convertible bonds that are issued by the Company or a subsidiary up to 26 May 2007, in accordance with the authorisation by the Annual General Meeting of 29 May 2002 as long as the issuance is carried out in cash. It will only be executed insofar as option or conversion rights stemming from the aforementioned bonds are used, or conversion obligations from such bonds are fulfilled.

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Through resolution of the Annual General Meeting of 29 May 2002, the Executive Board was authorised to issue option or convertible bonds for a total face value of up to € 100m., with a term of up to 20 years, once or repeatedly, up until 26 May 2007, or to take over the guarantee for such bonds issued by Company subsidiaries, and to grant the owners or creditors of such bonds option or conversion rights to new Company shares, with a proportionate sum of share capital of up to € 7.5m. in accordance with closer requirements of the particular conditions for these option or conversion bonds.

### Stock option programmes

The extraordinary Annual General Meeting of 4/24 June 1999 determined the conditional increase of share capital through issuance of up to 260,000 shares (corresponds to 780,000 shares following the 1:3 share split of 16 May 2000, Conditional capital I/1999), for the exclusive granting of purchase rights within the framework of stock option programmes, as well as the main features of the stock option programmes to be launched by the Executive Board. The conditional capital increase is only to be executed insofar as the owners of the purchasing rights issued make use of their purchasing rights pursuant to section 192 (2) No. 3 of the German Stock Corporation Act. Beneficiaries are exclusively members of the Executive Board and employees of GFT Technologies AG as well as 100% subsidiaries, whose purchasing rights have been granted.

The purchasing rights stemming from the stock option programmes "1999/2004" and "2000/2005" established by the Executive Board, expired on 6 July 2004 and 1 July 2005, respectively, without having been exercised. No more purchasing rights exist since 1 July 2005, pursuant to section 192 (2) No. 3 of the German Stock Corporation Act.

### Minority interests

There are no more other associates since August 2004.

## 15. Provisions for pensions

Employee benefits are provided through contribution-oriented and performance-oriented plans.

For contribution-oriented plans contributions are paid by the company based on legal or contractual regulations, or on a voluntary basis, to state or private pension insurance institutes. The contributions paid in financial year 2006 for contribution-oriented plans to state and private pension insurance institutes was €(k) 5,425 (prev. year: €(k) 4,755) and are included in personnel expenses.

The performance-oriented plans involve actual liabilities in Germany due to individual arrangements relative to retirement benefits, invalidity benefits, and provisions for dependents for an active manager and a manager who has left the company, as well as or a former Managing Director of a subsidiary (pension recipient) prev. year relative to two active managers and the pension recipient).

The following parameters were taken into consideration in determining the actuarial value of the pension provisions.

	<b>31/12/2006</b>	<b>31/12/2005</b>
Discount rate	4.5%	4.0%
Expected return on plan assets	1.0%	1.0%
Expected salary increase	0.0% - 2.5%	0.0% - 2.5%
Average fluctuation	0.0%	0.0%

Assumptions relative to average fluctuation were not necessary due to the small number of people involved. The "2005 G Guideline Tables" by Prof. Klaus Heubeck (Cologne 2005) were used as a basis for the computation.

	<b>2006 €(k)</b>	<b>2005 €(k)</b>
<b>Change in present value of defined benefits</b>		
Present value of defined benefit 01/01	917	918
Service cost for the period	16	35
Interest expense	36	42
Actuarial gains (-)/losses (+)	-66	-40
Pension payments	-38	-38
Defined benefits present value 31/12	<b>865</b>	<b>917</b>
Fair value of plan assets 31/12	-	-
<b>Net amount recognised</b>	<b>865</b>	<b>917</b>
Adjustment due to non-realised actuarial gains (-)/losses (+)	-27	-97
<b>Pension provisions</b>	<b>838</b>	<b>820</b>

Actuarial gains and losses (i.e. effects of deviations between previous actuarial assumptions and actual development, and of changes in actuarial assumptions) are distributed applying the so-called corridor approach as expense or income on the expected average service lifetime of the employees participating in the plan, if they exceed 10% of the cash value of the performance oriented liability.

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Pension expenses are broken out as follows for the fiscal year:

	2006 €(k)	2005 €(k)
Service cost for the period	16	35
Interest expense	36	42
Amortisation on actuarial gains (-)/losses (+)	3	4
<b>Pension expenses</b>	<b>55</b>	<b>81</b>

The pension expenses are included in personnel expenses.

### 16. Income taxes

The item income taxes shown in the income statement includes:

	2006 €(k)	2005 €(k)
Current tax expense	2,074	563
Deferred tax income	-519	-49
<b>Tax expense</b>	<b>1,555</b>	<b>514</b>

Actual tax expense reported of €(k) 2,074 (prev. year: €(k) 563) is reduced by tax proceeds arising from activation of a claim for payment of a corporate tax credit in accordance with section 37 of the German Corporate Tax Act for consolidated companies in the amount of €(k) 800 (prev. year: €(k) –). Due to the use of previously non-deferred taxable loss carry-forwards (€(k) 1,576; prev. year: €(k) 1,748) actual tax expense was reduced by €(k) 593 (prev. year: €(k) 656). The actual tax expense includes out of period actual tax proceeds of €(k) 2 (prev. year: €(k) 535).

The deferred income taxes were due to the following causes:

	2006 €(k)	2005 €(k)
From temporary differences	-519	-49
From taxable loss carry forwards	-	-
<b>Deferred tax income</b>	<b>-519</b>	<b>-49</b>

The deferred tax earnings (prev. year deferred tax expense) include a deferred tax expense due to devaluations of deferred tax assets of €(k) 5 (prev. year: 397). From assets credited directly from the equity, differed taxes of €(k) -95 (prev. year: €(k) 109) resulted which couldn't be booked affecting net income.

The trade tax liabilities shown in the balance sheet are broken down as follows:

	<b>31/12/2006</b> <b>€(k)</b>	<b>31/12/2005</b> <b>€(k)</b>
Claims to deferred tax assets	5,969	5,655
Ongoing claim to income tax (Assets from corporate tax according to section 37 KStG)	800	-
Short term assets from profits tax	780	618
	<b>7,549</b>	<b>6,273</b>

	<b>31/12/2006</b> <b>€(k)</b>	<b>31/12/2005</b> <b>€(k)</b>
Deferred tax liabilities	197	500
Current tax liabilities	1,240	640
	<b>1,437</b>	<b>1,140</b>

The tax deferrals and accruals are allocated to individual balance sheet items as follows:

	<b>31/12/2006</b> <b>€(k)</b>	<b>31/12/2005</b> <b>€(k)</b>
Taxable loss carry-forwards	5,000	5,000
Anniversary and other provisions for employees	354	258
Intangible assets and equipment	391	242
Other provisions	170	1
Pension provisions	30	24
Other assets	12	-
Provisions for possible losses (prim. rental agreements)	7	116
Liabilities	5	14
<b>Claims to deferred tax assets</b>	<b>5,969</b>	<b>5,655</b>

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	<b>31/12/2006</b> €(k)	<b>31/12/2005</b> €(k)
Receivables	170	391
Securities	14	109
Holdings	13	-
<b>Deferred tax liabilities</b>	<b>197</b>	<b>500</b>

For cumulated taxable loss carry-forwards at Group companies of € 18.4m. (prev. year: € 19.4m.) and for deductible temporary differences of € 1.3m. (prev. year: € 1.2m.) no deferred tax assets were formed, as we cannot currently consider a future offset; the loss carry-forwards are not non-forfeitable. The deferred tax asset for the carry forward of unused tax losses as of 31 December 2006 exclusively affects GFT Technologies AG (€(k) 5,000; (prev. year: €(k) 5,000). After GFT AG was able to use tax loss carry-forwards of € 0.9m. for the second consecutive year (prev. year: € 1.7m.) the Executive Board assumes, based on profitability planning, that in the future sufficient taxable results will be available for GFT AG against which the unused tax losses can be applied.

The adjustment between the effective tax rate of the GFT Group and the German tax rate of GFT AG of 37.5% (prev. year: 37.5%) is presented as follows; the applicable tax rate of GFT AG changed slightly due to changed trade tax rates of assessment.

	<b>2006</b> €(k)	<b>2005</b> €(k)
<b>Earnings before taxes</b>	<b>6,664</b>	<b>1,579</b>
Expected tax expenses of 37.5%	2,499	592
Capitalisation of assets for payment of corporate tax according to section 37 KStG	-800	-
Other non tax-deductible expenses and tax-free income	302	125
Value adjustments/non-entry deferred tax assets	85	397
Current financial year losses which cannot be offset by tax assets	175	655
Retrospective application of deferred tax assets	-593	-793
Tax rate differences	-108	38
Aperiodic effects	3	-475
Other tax effects	-8	-25
<b>Effective tax expense</b>	<b>1,555</b>	<b>514</b>
Effective tax rate	23.3%	32.6%

## 17. Other Provisions

The other provisions show the following trend in fiscal year 2006:

	As of 01/01/2006 €(k)	Assets from changes in the scope of consolidation €(k)	Consumption liquidation (L) €(k)	Transfer €(k)	Disposals from changes in the scope of consolidation €(k)	As of 31/12/2006 €(k)
Employee commissions/bonuses/ anniversaries/severance payments indemnifications	5,200	527	4,419 108 (L)	6,493	13	7,680
Holiday obligations	989	180	1,169	1,475	-	1,475
Contributions to industry associations	105	2	104 3 (L)	111	-	111
Provisions for personnel costs	6,294	709	5,692 111 (L)	8,079	13	9,266
Outstanding purchase invoices	1,260	3,527	4,505 212 (L)	1,657	15	1,712
Possible losses from rental agreements	1,397	-	797 92 (L)	196	-	704
Possible losses from projects	-	-	- - (L)	398	-	398
Warranty	581	-	581	91	-	91
Other	1,260	210	903 445 (L)	1,242	-	1,364
	<b>10,792</b>	<b>4,446</b>	<b>12,478 860(L)</b>	<b>11,663</b>	<b>28</b>	<b>13,535</b>

Due to maturity i.e. the expected settlement date of resulting outflows of economic benefit, other provisions are shown in the balance sheet as follows:

	31/12/2006 €(k)	31/12/2005 €(k)
<b>Other long term provisions</b>		
Employee provision/jubilees/compensation/exemption salaries	1,522	761
Impending loss from rental agreements	114	554
Others	16	-
	<b>1,652</b>	<b>1,315</b>
Other short term provisions	11,883	9,477
<b>Total other provisions</b>	<b>13,535</b>	<b>10,792</b>

In 2006 interest bearing long term other provisions increased by €(k) 28 (prev. year: €(k) 61) due to the elapsed time.

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### 18. Liabilities

The remaining terms and collateralisation of the liabilities are shown in the following overview:

	Remaining term up to 1 year €	more than 5 years €	Total amount 31/12/2006 €	Thereof secured through liens and similar rights €	Nature and form of the collateral
Financial liabilities	2,415,840.80 (prev. yr.: €(k) 10)	0.00 (prev. yr.: €(k) –)	2,565,840.80 (prev. yr.: €(k) 143)	2,415,840.80 (prev. yr.: €(k) 23)	Release of covenant (prev. year: collateral assignment motor vehicle)
Trade liabilities	15,593,508.15 (prev. yr.: €(k) 10,261)	0.00 (prev. yr.: €(k) –)	15,593,508.15 (prev. yr.: €(k) 10,261)		Usual reservation of property rights
Deferred tax liabilities	0.00 (prev. yr.: €(k) –)	0.00 (prev. yr.: €(k) –)	197,443.17 (prev. yr.: €(k) 500)		
Current income tax liabilities	1,240,128.12 (prev. yr.: €(k) 640)	0.00 (prev. yr.: €(k) –)	1,240,128.12 (prev. yr.: €(k) 640)		
Other liabilities	8,852,680.04 (prev. yr.: €(k) 9,428)	0.00 (prev. yr.: €(k) –)	8,862,296.38 (prev. yr.: €(k) 10,745)		
- thereof from taxes (not income tax)	2,295,014.43 (prev. yr.: €(k) 2,851)				
- thereof within the scope of social security	808,049.07 (prev. yr.: 1,297 €(k))				
	<b>28,102,157.11</b> <b>(prev. yr.: €(k) 20,339)</b>	<b>0.00</b> <b>(prev. yr.: €(k) –)</b>	<b>28,459,216.62</b> <b>(prev. yr.: €(k) 22,289)</b>		

There are trade liabilities of €(k) 34 (prev. year: €(k) 27) to companies with whom an equity interest exists.

**19. Financial liabilities**

	31/12/2006 €(k)	31/12/2005 €(k)
<b>Non-current financial liabilities</b>		
Loan from a fund for the promotion of research	150	120
Long-term liabilities to banks	-	13
	<b>150</b>	<b>133</b>
<b>Current financial liabilities</b>		
Short-term liabilities on a factoring company	2,416	-
Current liabilities to banks	-	10
<b>Total financial liabilities</b>	<b>2,566</b>	<b>143</b>

Financial liabilities in the amount of €(k) 2,416 are secured by the assignment of claims (in the previous year €(k) 23 by assignment of a motor vehicle as security).

**20. Other liabilities**

Other liabilities are broken out as follows:

	31/12/2006 €(k)	31/12/2005 €(k)
<b>Other long term liabilities</b>		
Advance payments on orders	10	17
Deferred grants received	-	1,300
	<b>10</b>	<b>1,317</b>
<b>Other current liabilities</b>		
Advance payments on orders	4,783	2,251
Wage tax, VAT, and other tax liabilities	2,295	2,851
Liabilities from social security contributions	808	1,297
Deferred credits to income	415	2,569
Liabilities to employees	142	93
Debitors with credit balances	58	151
Handicapped levy	28	31
Deferred grants received	7	7
Other	316	178
	<b>8,852</b>	<b>9,428</b>
<b>Total other liabilities</b>	<b>8,862</b>	<b>10,745</b>

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### 21. Segment report

In these statements the business segments *Services*, *Software* and *Resourcing* are defined as primary segment reporting formats (last year's financial statements referred to these segments as Business Processing Outsourcing). All activities in conjunction with IT solutions (services and projects) are summarised in the *Services* segment. The *Software* segment involves in-house software product development, sales of the same, as well as the associated services. *Resourcing* includes the provision of free-lance IT specialists, as well as the General Meeting Service, which was still included in the previous year (see Point 22).

	Services		Software	
	31/12/2006 €(k)	31/12/2005 €(k)	31/12/2006 €(k)	31/12/2005 €(k)
<b>Revenues</b>				
External sales	82,354	77,370	7,083	5,600
Inter-segment sales	50	-	55	470
<b>Total revenues</b>	<b>82,404</b>	<b>77,370</b>	<b>7,138</b>	<b>6,070</b>
<b>Result</b>				
Segment result	7,485	2,957	-544	-732
Unallocated income/expenses				
<b>Operating result</b>				
Interest expenses				
Interest income				
Share of net profits of associated				
<b>Earnings before tax</b>				
Income tax expense				
<b>Net loss/income</b>				
<b>Other information</b>				
Segment assets	39,135	45,436	1,331	1,855
Investment associates accounted for under the equity method				
Unallocated corporate assets				
<b>Consolidated total assets</b>				
Segment liabilities	21,496	22,002	2,684	2,155
Unallocated corporate liabilities				
<b>Consolidated total liabilities</b>				
Capital expenditure	1,009	841	384	171
Depreciation	872	1,047	121	147
Non-cash expenditure other than depreciation	-	-	-	-

Resourcing		Total		Eliminations		Consolidated	
31/12/2006 €(k)	31/12/2005 €(k)	31/12/2006 €(k)	31/12/2005 €(k)	31/12/2006 €(k)	31/12/2005 €(k)	31/12/2006 €(k)	31/12/2005 €(k)
84,241	37,974	173,678	120,944				
286	11	391	481	-391	-481		
<b>84,527</b>	<b>37,985</b>	<b>174,069</b>	<b>121,425</b>	<b>-391</b>	<b>-481</b>	<b>173,678</b>	<b>120,944</b>
<b>1,286</b>	<b>686</b>	<b>8,227</b>	<b>2,911</b>			<b>8,227</b>	<b>2,911</b>
						-2,080	-2,062
						<b>6,147</b>	<b>849</b>
						-115	-33
						633	762
						-	-
						<b>6,665</b>	<b>1,578</b>
						-1,556	-514
						<b>5,109</b>	<b>1,064</b>
40,465	17,326	80,931	64,617			80,931	64,617
						-	-
				11,264	13,741	11,264	13,741
						<b>92,195</b>	<b>78,358</b>
16,813	8,079	40,993	32,236			40,993	32,236
				1,839	1,665	1,839	1,665
						<b>42,832</b>	<b>33,901</b>
5,195	44	6,588	1,056	33	21	6,621	1,077
146	43	1,139	1,237	24	25	1,163	1,262
-	-	-	-	276	496	276	496

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€ 5.0m. of the investment of € 5.2m. reported for *Resourcing* in 2006 relates to the addition of goodwill from the merger with the Parity-companies; we refer to Point 7 (Intangible assets) and Point 28 (Mergers).

In addition to the segment data on business areas aligned to the corporate structure the following table shows the regional data in accordance with IAS 14 (secondary segment information).

	Revenue from sales to external clients*		Carrying amount of segment assets		Investments in equipment and intangible assets	
	2006 €m.	2005 €m.	2006 €m.	2005 €m.	2006 €m.	2005 €m.
Germany	109.0	81.3	64.0	57.2	5.5	0.7
Great Britain	15.0	9.6	5.6	6.5	0.0	0.0
Spain	13.7	12.3	15.4	12.2	0.5	0.3
Brazil	11.6	4.6	0.2	0.0	0.2	0.0
France	10.9	0.8	5.5	0.5	0.3	0.0
Switzerland	4.3	4.2	1.1	1.2	0.0	0.0
Other foreign countries	9.2	8.1	0.4	0.8	0.1	0.1
<b>Total</b>	<b>173.7</b>	<b>120.9</b>	<b>92.2</b>	<b>78.4</b>	<b>6.6</b>	<b>1.1</b>

\* Determined by customer location

Segment revenues and segment results include transactions between business segments (primary reporting format) and regions (secondary reporting format) as well. Transactions between segments are undertaken at market prices under terms that would customarily be agreed with third parties. These intragroup transactions are not eliminated in the consolidation.

## 22. Other operating income

These items include:

	2006 €(k)	2005 €(k)
Reversals of provisions	860	1,535
Income from disposals and write-ups of securities	675	131
Income from derecognition of liabilities	335	229
Benefits in kind – employee private motor vehicle use	332	303
Out of period income	253	92
Cost transfers corresponding with the acquisition of GFT Resource Management GmbH, Eschborn	208	-
Rental income	76	80
Earnings from the sale of GFT Websolutions Kft., Budapest, Hungary	60	-
Income from exchange rate differences	26	15
Income from disposals and write-ups of securities	22	258
Insurance recoveries	9	57
Grants from private and public organisations	7	123
Income from the disposal of fixed assets	2	19
Income from the sale of the "GFT Media" division	-	723
Income from the sale of the "emagine Hauptversammlungsservice"	-	438
Income in conjunction with the purchase of GFT Technologies (India) Private Limited, Trichy, India	-	17
Other	92	299
	<b>2,957</b>	<b>4,319</b>

The grants of private and public institutions in 2006 are grants from local promotional organisations in Spain (previous year from local development funds in Austria and Spain). If they were granted as a percentage of incurred expenses then they are shown in the periods of the corresponding expense as income. If grants were received for activated investments then they are taken over the useful life of the investment in a manner that affects earnings.

The other operating income includes income that is ascribed to another financial year in the amount of €(k) 1,472 (prev. year: €(k) 2,133). They involve liquidation of provisions (€(k) 860; €(k) 1,535), reduction of value adjustments and incoming payments on written-off receivables (€(k) 335; prev. year: €(k) 229), other out of period income (€(k) 253; prev. year: €(k) 92), depreciation of adjustments and receipts from written-off receivables (€(k) 22; prev. year: €(k) 258) and profits from sales of non-current assets (€(k) 2; prev. year: €(k) 19).

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GFT Technologies Aktiengesellschaft, St. Georgen

### 23. Material expenses, personnel expenses

In addition to expenses for software and hardware resold as part of projects (€(k) 575; prev. year: €(k) 549) in the material expenses the vast majority of expenses for services rendered from outside personnel (consultants, software developers) and subcontractors are also included (€(k) 86,704; prev. year: €(k) 47,002), this also includes expenses for freelance agency revenue.

Personnel expenses include expenses for GFT Group's own personnel. For the expenses for retirement pensions we refer to point 15.

### 24. Depreciation

The Depreciation on long term intangible assets and fixed assets in the financial year 2006 include no depreciation on goodwill due to depreciations (prev. year: €(k) –).

The asset depreciations on securities affects losses from changes of the time value of securities to be included. (€(k) 276; prev. year: €(k) 496), see Point 13.

### 25. Other operating expenses

Other operating expenses are broken out as follows:

	2006 €(k)	2005 €(k)
Operating expenses	5,968	5,639
Distribution expenses	6,950	6,509
Administrative expenses	5,348	4,730
Reserve allocations for other risks	525	-
Project losses, contract penalties, warranties	386	134
Expenses due to empty standing of rented space	196	224
Value adjustments and uncollectable receivables	192	136
Expenditure from the disposal of "GFT Media"	192	-
Losses on irrecoverable debts related to the disposal of GFT Websolutions Kft., Budapest, Hungary	175	-
Out of period expenses	89	51
Exchange rate losses	60	25
Losses from disposal of fixed assets	26	15
Other operating expenses	53	173
	<b>20,160</b>	<b>17,636</b>

Other operating expenses include an amount of €(k) 192 from the sale of the "GFT Media" division, which occurred in financial year 2005, since the buyer did not achieve specified revenue targets (previous year revenues from the sale of the "GFT Media" division €(k) 723). Other out-of-period operating expenses in the amount of €(k) 115 (prev. year: €(k) 66) were incurred.

## 26. Research and development expenses

In the financial year 2006 total expenses of €(k) 3,892 were recorded for research and development (prev. year: €(k) 5,437). While in the previous year expenses for providing employees with qualifications required for the new areas now assumed by the Group in the amount of €(k) 1,351 were included in the stated figure, starting in the financial year 2006 the Group is reporting only expenses from the development of new technologies in this item. Expenses that are comparable with the outlays in 2006 of €(k) 3,892 for the development of new technologies were at €(k) 4,086 in the previous year.

## 27. Interest income, interest expenses

The interest result:

	2006 €(k)	2005 €(k)
<b>Other interest and similar income</b>		
Interest from securities	319	560
Interest on bank balances	168	124
Interest on tax receivables	31	78
Other unearned interests (basically from accounts receivable)	115	-
	<b>633</b>	<b>762</b>
<b>Interest and similar expenses</b>		
Interest on financial liabilities	-115	-23
Interest on tax liabilities	-	-10
	<b>-115</b>	<b>-33</b>
<b>Interest result</b>	<b>518</b>	<b>729</b>

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### Other Data

#### 28. Business combinations during the financial year

##### Merger of Parity-companies

Under a purchase agreement dated 26 January 2006, GFT AG bought all of the business shares of the following companies, effective 31 January 2006:

1. GFT Technologies SARL (PARITY EUROSOFTE S.A.R.L. until 19 July 2006), Paris, France;
2. GFT Resource Management GmbH (PARITY Beteiligungsgesellschaft GmbH until 15 March 2006), with registered offices at Eschborn (at Frankfurt am Main until 19 July 2006) including the subsidiaries
  - GFT Flexwork GmbH (Parity Selection GmbH until 5 July 2006), with registered offices in Berlin (until 25 April 2006 Munich, from 26 April 2006 until 17 July 2006 Frankfurt am Main, from 18 July 2006 until 20 November 2006, Eschborn)
  - Parity Eurosoft GmbH, Frankfurt am Main and
  - Parity Business Solutions GmbH, Frankfurt am Main
  - all five companies together are jointly referred to as "Parity-companies".

Parity Eurosoft GmbH and Parity Business Solutions GmbH were merged into GFT Resource Management GmbH (absorbing legal entity) effective 1 January 2006.

GFT AG purchased the Resourcing Solutions division from Parity in Germany and France as part of this acquisition. The division covers the management of external IT service providers ranging from searching experts through administration and contract management of service providers to billing and reporting. The acquisition aims to expand the existing GFT *Resourcing* division and to accelerate the business expansion in France.

The purchase price for all the business shares in the Parity-companies is €(k) 6,826 and, according to the purchase contract, is distributed as follows over the companies acquired:

	€(k)
GFT Technologies SARL	1,000
GFT Resource Management GmbH	5,826

Acquisition costs can be broken down as follows:

	€(k)
Purchase price	6,826
Due diligence, legal, consulting and notary costs	204
<b>Total acquisition costs</b>	<b>7,030</b>

Acquisition costs were paid in cash.

The sums applied to each class of assets and debts of the acquired companies at the time of acquisition are as follows:

	<b>Book value = current market value €(k)</b>
<b>Assets</b>	
Long term assets	
Tangible assets	37
Short term assets	
Receivables and other assets	11,033
Liquid funds	1,015
	<b>12,048</b>
	<b>12,085</b>
<b>Debts</b>	
Short term debts	
Provisions for taxes	669
Other provisions	4,446
Liabilities	4,954
	<b>10,069</b>
<b>Net assets acquired</b>	<b>2,016</b>
Goodwill	5,014
<b>Acquisition costs</b>	<b>7,030</b>

Factors contributing to the acquisition costs used to record goodwill are:

- a. Qualification and activity of the employees of the Parity-companies
- b. Positioning of Parity-companies with customers including existing framework agreements
- c. Current, comprehensive updated database of available IT service providers
- d. Process expertise on cost-effective processing of provision of freelancers
- e. Expected synergy potential with the GFT Group client portfolio.

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It is not possible to identify intangible assets to be reported that are separate from goodwill.

Income (annual net income) of the purchased Parity-companies from the date of acquisition of 31 January 2006 until 31 December 2006 included in GFT Group results for the period totals €(k) 655.

In the Notes to the Consolidated Financial Statements of 31 December 2005 the merger of the Parity-companies was described as a merger after the balance sheet date; it was noted that figures provided were provisional at the time due to the level of knowledge at the time and purchase price adjustment mechanisms. Between the acquisition date and the balance sheet date of 31 December 2006, acquisition costs increased by €(k) 917 and net assets acquired decreased by €(k) 22, while goodwill rose by €(k) 939.

### Merger of GFT Business Development GmbH

On 10 February 2006, GFT AG purchased 100% of the shares in GFT Business Development GmbH, Eschborn. This is a stocking company purchased exclusively to extend business activities in Southern and Eastern Europe, including the CIS states, but which has not carried out any operating activities since that date. Acquisition costs amounted to €(k) 28 and were paid in cash. The acquired company had assets of only a bank balance of €(k) 13 and outstanding deposits of €(k) 12. The merger created goodwill totalling €(k) 3. The losses (annual net loss) of the acquired GFT Business Development GmbH from the date of acquisition of 10 February 2006 until 31 December 2006 included in GFT Group results for the period, totals €(k) -7.

### All mergers

Revenues of the GFT Group for the reporting period from 1 January 2006 to 31 December 2006 would have been € 177.5m. if all mergers that took place within this period had been purchased at the start of the reporting period.

The earnings (net annual income) of the GFT Group for the reporting period from 1 January 2006 to 31 December 2006, would have been € 5.2m., based on the assumption that all mergers that took place within this period had occurred at the start of the reporting period.

## 29. Cash flow statement

The GFT Group cash flow statement for the 2006 financial year is shown separately. The additional information as per IAS 7 is indicated as follows:

The financial fund on which the cash flow statement is based is comprised of payment means and items equivalent to payment means (cash and bank balances); it matches the balance sheet items of the same name. €(k) 565 (prev. year: €(k)–) of cash and cash equivalents is restricted, since balances at banks in this amount are being used as collateral at the respective banks.

The cash flow from taxes on income for the 2006 financial year amounts to €(k) -2,732 (net pay-out; prev. year: €(k) -37); like the cash flow resulting from interest, it is included in the cash flow from ongoing business activities. Interest paid during the 2006 financial year totals €(k) 115 (prev. year: €(k) 34), deposits from interest income total €(k) 717 (prev. year: €(k) 578).

The following table provides information relating to company acquisitions in 2006 (see also Point 28):

	Purchase price €(k)	Cash share of purchase price %	Cash acquired €(k)	Other assets acquired €(k)	Liabilities acquired €(k)
<b>Purchase in 2006</b>					
Included companies	7,058	100.0	1,039	16,087	10,069
				thereof	thereof
Long term assets				5,054	
Short term assets				11,033	
Long term debts					-
Short term debts					10,069

The information about the disposal of subsidiaries in 2006 is the following:

	Price of sale €(k)	Percentage of currency on sales price %	Disposed currency €(k)	Other disposed assets €(k)	Disposed liabilities €(k)
<b>Sales in 2006</b>					
Disposal of companies	110	0.0	140	136	226
				thereof	thereof
Long term assets				32	
Short term assets				104	
Long term debts					-
Short term debts					226

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### 30. Net earnings per share

The earnings per share as per IAS 33 for the GFT Group are shown in the following table.

	2006 €	2005 €
<b>Undiluted earnings per share as per IAS 33</b>	<b>0.19</b>	<b>0.04</b>
- current result allowed for	5,109,347.50	1,064,423
- no. of ordinary shares allowed for	26,325,946	26,325,946
<b>Diluted earnings per share as per IAS 33</b>	<b>0.19</b>	<b>0.04</b>
- current result allowed for	5,109,347.50	1,064,423
- no. of ordinary shares allowed for	26,325,946	26,325,946

After the completion of the most recently arranged GFT AG share option programme on 1 July 2005, no diluted potential ordinary shares could be produced.

### 31. Reporting on financial instruments

GFT is subject to currency, interest rate change and loss risks as part of its normal business activity and these can affect the assets, financial and earnings position. The key risks and their treatment are shown below.

#### Currency risk

Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents exist in a currency that is different to the company's local currency. The GFT Group currently has a low currency risk because the key contractual relationships between customers and suppliers are conducted in euros. For this reason no hedging instruments are used in the form of derivatives to reduce currency risks.

#### Interest rate risk

An interest rate risk, i.e. changes to the value of a financial instrument or future payments from a financial instrument resulting from changes to the market interest rate, primarily exist for financial assets and debts with terms over one year. The financial assets and debts with a term above one year that existed on the key closing date have no important interest rate change risks because of their low value.

Other interest rate risks exist for agreed, variable interest rates for securities' investments. In selected cases these interest rate risks are hedged using derivatives, especially interest rate swaps.

#### Risk of losses

The risk of losses from financial assets is the risk of the failure of a contractual partner and therefore the maximum level of the positive current values with the relevant contractual partner. Forming write-downs for the loss of receivables considers the risk from original financial instruments. There are no derivatives with a positive current value and there is therefore no risk of loss.

### Original financial instruments

The balance sheet shows the level of original financial instruments (refer to Point 6).

### Derivative financial instruments

On 31 December 2006 there was an interest rate “swap” derivative in place with a nominal value of €(k) 1,000 and a current value of €(k) -66. The current value was determined using the mark-to-market valuation method at the end-of-day mid-market rate. The derivative is recorded as of 31 December 2006 with a book value of €(k) -66 as short term debt in the other provisions balance sheet item. The interest rate swap no longer represents a hedging device, since the underlying security was disposed of in 2006. The change to the current value was recognised directly in the income statement. The same financial derivative existed as of 31 December 2005; at that time the market value was €(k) -40. The interest rate swap represented a hedge from a financial perspective at the time, but did not meet the strict criteria of IAS 39 for hedge accounting. The change to the current value was therefore also recognised directly in the income statement in 2005.

The total value of the change to the current value of the financial instruments estimated with the aid of a valuation method that was recorded with an effect on the results for the reporting period totalled €(k) 26 (prev. year: €(k) 40).

## 32. Contingencies

The GFT group has access to bank custody accounts totalling €(k) 3,289 (prev. year: €(k) 5,009), only with the express consent of the corresponding banks. Furthermore securities totalling security of €(k) 250 (prev. year: €(k) 250) have been pledged to secure existing pensions to authorised people. From the assets at credit institutes, €(k) 565 (prev. year: €(k) –) are pledged to each bank.

## 33. Other financial obligations

The amount of future minimum leasing payments from operating leasing relations is put together as follows:

	31/12/2006 €(k)	31/12/2005 €(k)
<b>Obligations from temporary rental, leasing, and licensing contracts at nominal value:</b>		
- 2007	4,073	3,754
- 2008 – 2010	7,257	6,629
- 2011 and later (excluding obligations unlimited in time)	3,150	2,154
	<b>14,480</b>	<b>12,537</b>
Annual obligations from open-ended rental contracts:	415	517

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

Payments under operating leases that are recorded as expense in the period under review total €(k) 4,824 (prev. year: €(k) 5,011). All lease agreements of the GFT Group can be qualified as operating leases from a commercial point of view, so that leased objects are attributed to the lessor, not GFT, the lessee. Leases primarily relate to business premises, as well as vehicles and office equipment. Lease agreements for buildings are generally concluded for a fixed lease period and had remaining terms of up to eleven years as of 31 December 2006. Operating leases for vehicles and office equipment have terms of between three and seven years. Agreements usually terminate automatically at the end of the term of the agreement.

### 34. Relationships with affiliated companies and persons

Deutsche Bank AG and its subsidiary ARGFRAN Beteiligungs Aktiengesellschaft, both based in Frankfurt am Main, which to date have been affiliated to the company and at the start of the year held 19.9% of the GFT AG shares, reduced their interest to 2.47% on 14 February 2006 as per the notification received by us. The GFT Group recorded revenue with companies in the Deutsche Bank Group totalling €(k) 71.2m. (prev. year: €(k) 75.1m.) in the 2006 financial year; the services were charged at usual market rates. On 31 December 2006 there were receivables with companies in the Deutsche Bank Group totalling €(k) 7.3m. (prev. year: €(k) 5.2m.); these are exclusively trade receivables.

Affiliated persons from the shareholder group that held shares in the Company prior to the IPO in June of 1999 are the Chairman of the Executive Board, Ulrich Dietz, as well as Mrs. Maria Dietz, an authorised signatory of GFT AG. Ulrich Dietz and Maria Dietz have informed the company that they hold 29.94% and 9.67% of voting rights in GFT Technologies AG, respectively, as of 1 April 2002. As of 31 December 2006, Ulrich Dietz holds 27.36% (prev. year: 26.04%) of GFT shares. There were no other relationships or transactions above and beyond to the existing employment relationships with the individuals mentioned above during the financial year 2006.

In the 2006 financial year Executive Board member Marika Lulay owned one share (=0.33%) in the GFT Technologies (Schweiz) AG, Wallisellen/Switzerland subsidiary.

We refer to the following section on parent company organs for the composition of people affiliated to the Executive and Supervisory Boards, their remuneration and ownership of GFT shares.

### 35. Parent company organs

#### Executive Board

**Mr. Ulrich Dietz**, Chairman of the Executive Board (Chief Executive Officer), responsible for the divisions *Resourcing* and *Software* as well as for the corporate functions Marketing, Communications and Investor Relations

Supervisory Board seats:

- GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain (Deputy Chairman)
- Sparkasse Schwarzwald-Baar (Advisory Board)

Further memberships in comparable controlling bodies:

- Deutsche Bank AG, Stuttgart, Germany (advisory committee)

**Ms. Marika Lulay**, Member of the Executive Board, (Chief Operating Officer), responsible for the division *Services* as well as for the corporate functions Technology and Quality Management

Supervisory Board seats:

- GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain (Assistant Chairman)
- GFT Technologies (Switzerland) AG, Wallisellen, Switzerland (Advisory Board)
- GFT UK Limited, London, Great Britain (Member of the Board)
- GFT Technologies (India) Private Limited, Trichy, India (Member of the Board)

**Dr. Jochen Ruetz**, Member of the Executive Board (Chief Financial Officer), responsible for the corporate functions Finance, Controlling, Human Resources, Internal Revision, Legal and Internal IT

Supervisory Board seats:

- G. Elsinghorst Handelsgesellschaft mbH, Bocholt, Germany
- GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain

### Supervisory Board

**Mr. Franz Niedermaier**, former CEO Oracle Deutschland GmbH, Chairman

further Supervisory Board seats:

- SECARON AG, Munich, Germany (Assistant Chairman)
- Intrafind Software AG, Munich, Germany (Chairman)

**Dr. Peter Opitz**, lawyer, (since 27 January 2006) Assistant Chairman

**Prof. Dr. Gerhard Barth**, partner at IMACOS Truckenmüller, Struck & Partner, Stuttgart

**Dr. Thorsten Demel**, Chief Operating Officer, Managing Director Group Technology & Operations, Deutsche Bank AG

further Supervisory Board seats:

- Pago eTransaction GmbH, Cologne, Germany
- GZS Gesellschaft für Zahlungssysteme mbH, Bad Vilbel, Germany (until 13 June 2006)
- sinius GmbH, Duesseldorf, Germany (until 6 February 2006)

**Dr. Simon Kischkel**, Project Director GFT Technologies AG, St. Georgen, Germany (employee)

**Ms. Ingrid Schmidt**, Project Manager GFT Technologies AG, St. Georgen, Germany (employee)

Total remuneration for the Executive Board for the 2006 fiscal year amounted to €(k) 1,432 (prev. year: €(k) 1,196). It is exclusively due in the short term as defined by IAS 24.

Total remunerations for the Supervisory Board for the 2006 fiscal year amounted to €(k) 83 (prev. year: €(k) 56). It is exclusively comprised of fixed, not profit related commission. As the year before, in the financial year 2006, no further commissions for personally fulfilled activities were paid and no advantages assured to the members of the Supervisory Board.

## Notes to the Consolidated Financial Statements (IFRS) as of 31 December 2006

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The stocks of GFT shares held by members of the Group's organs in the 2005 financial year are comprised as follows:

<b>Executive Board Members</b>	<b>Ulrich Dietz</b>	<b>Marika Lulay</b>	<b>Dr. Jochen Ruetz</b>	<b>Total</b>
<b>Shares</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>
As of 01/01/2006	6,856,240	5,000	40,000	6,901,240
Additions	477,889	15,000	60,000	552,889
Subtractions	-131,000	0	0	-131,000
<b>As of 31/12/2006</b>	<b>7,203,129</b>	<b>20,000</b>	<b>100,000</b>	<b>7,323,129</b>

<b>Supervisory Board Members</b>	<b>Franz Niedermaier</b>	<b>Dr. Peter Opitz</b>	<b>Prof. Dr. Gerhard Barth</b>	<b>Dr. Thorsten Demel</b>	<b>Dr. Simon Kischkel</b>	<b>Ingrid Schmidt</b>	<b>Total</b>
<b>Shares</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>
As of 01/01/2006	10,000	0	0	0	1,302	1,000	12,302
Additions	20,000	0	0	0	0	0	20,000
Subtractions	0	0	0	0	0	0	0
<b>As of 31/12/2006</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,302</b>	<b>1,000</b>	<b>32,302</b>

### 36. Employees

In the 2006 financial year there were on average 1,033 employees, in 2005 1,010.

### 37. Honorarium for the Balance Sheet Auditor

The honorarium recorded for the auditors of the consolidated accounts, Grant Thornton GmbH Wirtschaftsprüfungsgesellschaft, as an expense in the 2006 financial year totalled:

	<b>2006</b>	<b>2005</b>
	<b>€(k)</b>	<b>€(k)</b>
Auditing of financial statements	190	167
Other ratification or valuation services	73	65
Tax accountancy services	10	-
Other services provided to the parent company or subsidiaries	10	4
	<b>283</b>	<b>236</b>

### 38. Events after the balance sheet key date

No noteworthy events have occurred during the year on or before 5 March 2007.

### 39. Disclosures pursuant to section 160 (1) No. 8 of the German Stock Corporation Act

On 12 January 2007, GFT AG was informed by the Baden-Württembergische Investmentgesellschaft mbH, Stuttgart, of the existence of equity interest, the content of which was made public as follows:

*"The Baden-Württembergische Investmentgesellschaft mbH, with headquarters in Stuttgart, Germany, has informed GFT via a communication dated 12 January 2007, pursuant to section 21 (1) of the German Securities Trading Act (WpHG), that its percentage of voting rights in GFT Technologies AG, including those represented in all investment funds, exceeded the voting rights threshold of 5% on 6 December 2006 and presently amounts to 5.997%. This disclosure is the result of the merger of SüdKA and BWK and the simultaneous renaming of BWK to BWInvest, as the company is legally known as of 6 December 2006."*

On 14 February 2006, GFT AG was informed by the KST Beteiligungs Aktiengesellschaft in Stuttgart, of the existence of equity interest, the content of which was made public as follows:

*"The KST Beteiligungs Aktiengesellschaft, with headquarters in Stuttgart, has informed us via a communication dated 14 February 2006, pursuant to section 21 (1) of the German Securities Trading Act (WpHG), that its voting right percentage in GFT Technologies AG exceeded the voting rights threshold of 5% on 14 February 2006, and presently amounts to 7.06%."*

On 15 February 2006, GFT AG was informed through the Deutsche Bank AG, Frankfurt am Main, of the existence of equity interest, the content of which was made public as follows:

*"The Deutsche Bank Aktiengesellschaft, with headquarters in Frankfurt/M, has informed us through a communication dated 15 February 2006, pursuant to section 21 (1) of the German Securities Trading Act (WpHG), that its voting right percentage in GFT Technologies AG exceeded the voting rights thresholds of 10% and 5% on 14 February 2006, and presently amounts to 2.47%." It was further communicated that this voting right percentage of 2.47% is to be imputed to the Deutsche Bank Aktiengesellschaft pursuant to section 22 (1) sentence 1 No. 1 of the German Securities Trading Act."*

On 3 April 2002, GFT AG was informed by Mr. Ulrich Dietz and Ms. Maria Dietz, of St. Georgen, of the existence of equity interest, the content of which was made public as follows:

*"Mr. Ulrich Dietz, domiciled in St. Georgen, informed us on 3 April 2002, pursuant to section 41 (2) sentence 1 of the German Securities Trading Act, that 29.94% of the voting rights in GFT Technologies AG are imputable to him as of 1 April 2002. Ms. Maria Dietz, domiciled in St. Georgen, informed us on 3 April 2002, pursuant to section 41 (2), sentence 1 of the German Securities Trading Act, that 9.67% of the voting rights in GFT Technologies AG are imputable to her as of 1 April 2002."*

### 40. Issuance of the Statement on the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act

On 11 December 2006, the Executive Board and the Supervisory Board issued the updated Declaration of Conformity pursuant to section 161 of the German Stock Corporation Act, and made it available to all shareholders on the Company's website as of 14 December 2006.

St. Georgen, 5 March 2007

GFT Technologies Aktiengesellschaft  
Executive Board



Ulrich Dietz  
Executive Board (Chairman)



Marika Lulay  
Executive Board



Dr. Jochen Ruetz  
Executive Board

## Auditor's Report

GFT Technologies Aktiengesellschaft – Consolidated Financial Statement, St. Georgen

We have audited the Consolidated Financial Statements of the GFT Technologies Aktiengesellschaft, St. Georgen (comprising balance sheet, income statement, changes in shareholder's equity statement, cash flow statement, and notes to the financial statements) and its summarised management and Group management report for the business year from 1 January 2006 to 31 December 2006. The preparation of Consolidated Financial Statements and the summarised management report and Group management report in accordance with the International Financial Reporting Standard (IFRS) as it is used in the EU and the supplementing commercial law guidelines that are used in accordance with Article 315a (1) of the German Commercial Code are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the Consolidated Financial Statements and the summarised management report and Group management report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Article 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and earnings situation in the annual financial statements in accordance with German principles of proper accounting and in the summarised management report and Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, and in the Consolidated Financial Statements and management report and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the financial statements of the companies included in the consolidated financial statements, the segregation of the consolidated group, the accounting and consolidation principles used, and the significant estimates made by legal representatives, as well as evaluating the overall presentation of the Consolidated Financial Statements and the summarised management report and 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 GFT Technologies Aktiengesellschaft, St. Georgen satisfy the IFRS as it is applied in the EU, and the supplemental commercial law guidelines that are used in accordance with Article 315a, Section 1 of the German Commercial Code, and with due consideration of these guidelines give a true and fair view of the net assets, financial situation, and earnings situation of the Group in accordance with the actual conditions. The summarised management report and Group management report agree with the consolidated financial statements, and as a whole provides a suitable view of the Group's situation and accurately represents the opportunities and risks of future development.

Stuttgart, 9 March 2007

Grant Thornton GmbH  
Wirtschaftsprüfungsgesellschaft



Müller  
Auditor



Hämmerle  
Auditor

# Annual Financial Statements GFT Technologies AG

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## Balance Sheet (HGB) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

<b>ASSETS</b>	<b>31/12/2006</b> €	<b>31/12/2005</b> €
<b>A. Non-current assets</b>		
<b>I. Intangible assets</b>		
1. Licences, industrial property rights and similar rights and values	268,426.00	175,396.74
2. Goodwill	0.00	0.00
	<b>268,426.00</b>	<b>175,396.74</b>
<b>II. Tangible assets</b>		
Other equipment, office and factory equipment	709,762.36	986,365.08
<b>III. Financial assets</b>		
1. Shares in affiliated companies	16,073,644.52	9,103,629.43
2. Investments	0.00	0.00
	16,073,644.52	9,103,629.43
	<b>17,051,832.88</b>	<b>10,265,391.25</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
Work in progress	1,779,485.06	1,371,890.82
<b>II. Receivables and other current assets</b>		
1. Trade receivables	7,517,915.19	6,838,395.94
2. Receivables from affiliated companies	5,576,660.07	3,024,577.36
3. Other assets	1,556,534.88	1,137,285.48
	<b>14,651,110.14</b>	<b>11,000,258.78</b>
<b>III. Securities</b>		
Other securities	3,251,400.00	7,354,700.00
<b>IV. Cash balance, cash at banks</b>		
	11,460,906.91	16,230,843.15
	<b>31,142,902.11</b>	<b>35,957,692.75</b>
<b>C. Accruals and deferrals</b>	109,364.87	133,890.12
<b>D. Deferred tax assets</b>	290,388.62	248,996.00
	<b>48,594,488.48</b>	<b>46,605,970.12</b>



## Income Statement (HGB) for the period from 1 January to 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

	2006 €	2005 €
1. Revenue	76,400,278.24	78,918,439.20
2. Change in inventories of work in progress	407,594.24	-2,312,095.23
3. Other operating income	5,679,137.77	5,625,467.56
	<b>82,487,010.25</b>	<b>82,231,811.53</b>
4. Cost of materials		
a) Costs of purchased goods	2,889.36	18,319.62
b) Costs of purchased services	55,835,934.55	51,303,335.90
	<b>55,838,823.91</b>	<b>51,321,655.52</b>
5. Personnel expenses		
a) Salaries and wages	15,425,511.56	17,196,967.10
b) Social security and expenditures for retirement pensions - of which for retirement pensions € 55,935.73 (prev. year: € 54,018.77)	2,418,486.66	2,627,219.16
	<b>17,843,998.22</b>	<b>19,824,186.26</b>
6. Depreciation on intangible assets and tangible assets	477,103.44	523,371.53
7. Other operating expenses	7,929,094.65	9,488,006.61
	<b>397,990.03</b>	<b>1,074,591.61</b>
8. Income from investments - of which from affiliated companies € 2,142,028.22 (prev. year: € 1,500,000.00)	2,142,028.22	1,500,000.00
9. Other interest and similar income - of which from affiliated companies € 159,364.58 (prev. year: € 27,851.96)	573,953.67	730,491.50
10. Depreciation on financial assets and on securities classified as current assets	276,100.00	531,377.67
11. Interest and similar expenses - of which to affiliated companies € 82,357.83 (prev. year: € 2,794.45)	85,963.94	7,360.88
	<b>2,353,917.95</b>	<b>1,691,752.95</b>
12. Result from ordinary business activities	2,751,907.98	2,766,344.56
13. Taxes on income	-721,409.62	-16,246.31
14. Other taxes	-69,601.98	19,011.37
	-791,011.60	2,765.06
15. Net income	<b>3,542,919.58</b>	<b>2,763,579.50</b>

## Notes to the Financial Statements (HGB) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### I. General Data on the Annual Financial Statement and on the Accounting and Valuation Methods

#### 1. General information

The annual financial statement for GFT Technologies Aktiengesellschaft (hereinafter referred to as "GFT AG" or "the Company") was prepared in € pursuant to the regulations of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The profit and loss statement was prepared pursuant to the total cost method. The Company is a large public limited company in terms of section 267 of the German Commercial Code.

#### 2. Accounting and valuation methods

Goodwill acquired is capitalised and amortised according to schedule over fifteen years. Other intangible assets acquired are valued at cost, reduced by scheduled linear depreciation amounts. The regular useful life is of three years.

Tangible fixed assets are valued at cost, reduced by scheduled wear-and-tear depreciation amounts. The depreciations for movable tangible fixed assets are made linearly over useful lives of three to thirteen years. Low-value capital goods are fully depreciated in the year of acquisition, and their disposal is also imputed in the year of acquisition.

The financial assets are valued at cost under observation of the lower-of-cost-or-market principle.

As far as the value of fixed assets calculated according to existing principles is higher than the value attached to it on the balance sheet date, it will be accommodated through special write-offs. As far as the reasons for depreciations carried out in previous years no longer exist, a write-up will be undertaken.

The valuation of unfinished services is carried out on the basis of manufacturing costs accrued. Projects with loss expectations are assessed at lower values.

With receivables, write-downs take into account identifiable single risks. The general credit risk is sufficiently accommodated with a general bad debt provision of 1.0% (prev. year: 1.0%) on receivables.

Securities are valued at cost or at lower market prices.

The fractional value of the pension obligations was calculated according to mathematical insurance methods based on a rate of interest of 6%. The "2005 G Guideline Tables" by Prof. Klaus Heubeck (Cologne 2005) were used as a basis for the computation. The anniversary provisions are calculated at an interest rate of 5.5%, using the same "2005 G Guideline Tables" as basis.

The "other provisions" take into account all identifiable risks and contingent obligations. If needed, the taxation provisions also include deferred tax liabilities, in addition to the actual liabilities.

The remaining assets and liabilities are reported at the nominal value or repayment amount.

Receivables and liabilities in a foreign currency are valued at the exchange rate corresponding to the transaction date. Losses from exchange rate fluctuations are taken into account.

## Notes to the Financial Statements (HGB) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### II. Explanations of the Income Statement

#### 1. Balance Sheet

##### Non-current assets

The development of the assets is shown in the attachment on the pages 124 and 125.

##### Share ownership

As of 31 December 2006, the company held, directly and indirectly, shares of a minimum of 20% in the following companies:

Name	Location	Share of the capital	Equity 31/12/2006	Results for business year
<b>Direct shareholding</b>				
GFT Technologies (Schweiz) AG	Wallisellen, Switzerland	99.0%	CHF 141,273.04	CHF 121,273.04
GFT Solutions GmbH	Hamburg, Germany	100%	EUR 456,873.94	EUR 374,557.35
GFT Technologies GmbH	Vienna, Austria	100%	EUR -124,354.13	EUR -144,354.13
GFT UK Limited	London, Great Britain	100%	EUR 1,407,977.87	EUR 761,084.36
GFT Iberia Solutions, S.A.	Sant Cugat del Vallés, Spain	100%	EUR 5,108,491.06	EUR 2,684,204.09
emagine gmbh	Eschborn, Germany	100%	EUR 32,570.68	EUR 2,146.29
GFT Technologies (India) Private Limited	Trichy, India	100%	INR 27,231,763	INR 7,257,378
GFT Resource Management GmbH	Eschborn, Germany	100%	EUR 1,778,983.85	EUR 484,396.20
GFT Technologies SARL	Paris, France	100%	EUR 891,871.03	EUR 113,922.34
GFT Business Development GmbH	Eschborn, Germany	100%	EUR 17,912.39	EUR -7,087.61
<b>Indirect shareholding</b>				
Emagine Servicios de Consultoría e Informática, S.A.	Sant Cugat del Vallés, Spain	100%	EUR 1,739,086.82	EUR 837,756.93
GFT Brasil Consultoria Informática Ltda.	São Paulo, Brazil	100%	BRL -153,673.43	BRL -269,458.05
GFT Flexwork GmbH	Berlin, Germany	100%	EUR 375,000.00	EUR 20,035.30*)

\*) There is an agreement for the shifting of profits between the GFT Flexwork GmbH (profit shifting company) and the GFT Resource Management GmbH.

##### Receivables and other current assets

The receivables from affiliated companies concern trade receivables in the amount of €(k) 703 (prev. year: €(k) 6) as well as other assets in the amount of €(k) 4,874 (prev. year: €(k) 3,019).

Of other current assets, an amount of €(k) 679 (prev. year: €(k) –) shows a maturity of more than a year. It concerns the receivable for payment of corporate tax income according section 37 KStG.

### Deferred tax assets

The deferred tax assets shown pertain to differences between the commercial and tax balance sheets, in the valuation of the anniversary provisions. Taxes from income and earnings for the business year 2006 include revenue from the increase of deferred tax assets in comparison to the previous year's balance sheet date, in the amount of €(k) 41 (prev. year: €(k) 20).

### Equity

As of 31 December 2006, share capital in the amount of € 26,325,946.00 exists out of 26,325.946 no-par value shares (unchanged as of 31 December 2005). The shares are bearer shares and all grant equal rights.

The transition from net income to accumulated loss pursuant to section 158(1) of the German Stock Corporation Act results as follows:

	2006 €	2005 €
15. Net income	3,542,919.58	2,763,579.50
16. Loss carried forward from previous year	-31,223,978.28	-33,987,557.78
17. Balance sheet loss	-27,681,058.70	-31,223,978.28

At a glance, the changes in equity during business years 2006 and 2005 resulted as follows:

	Share capital €	Capital reserve €	Legal reserve €	Other retained earnings €	Balance sheet loss €
As of 31/12/2004	26,325,946.00	27,943,824.20	1,387.65	2,343,349.97	-33,987,557.78
Net income 2005	0.00	0.00	0.00	0.00	2,763,579.50
As of 31/12/2005	26,325,946.00	27,943,824.20	1,387.65	2,343,349.97	-31,223,978.28
Net income 2006	0.00	0.00	0.00	0.00	3,542,919.58
As of 31/12/2006	26,325,946.00	27,943,824.20	1,387.65	2,343,349.97	-27,681,058.70

A transfer to legal reserves is inapplicable, not only because there is no transferable net income in terms of section 150 (2) of the German Stock Corporation Act, but also because the legal reserve funds pursuant to section 150 (2) of the German Stock Corporation Act already total more than 10% of the share capital, due to the high capital reserves according to section 272 (2) No. 1 of the German Commercial Code.

## Changes in Fixed Assets for the period from 1 January to 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### At costs

	As of 01/01/2006 €	Additions €	Disposals €	As of 31/12/2006 €
<b>I. Intangible assets</b>				
1. Licenses, industrial property rights, and similar rights	3,243,681.76	201,293.70	0.00	3,444,975.46
2. Goodwill	127,822.97	0.00	0.00	127,822.97
	<b>3,371,504.73</b>	<b>201,293.70</b>	<b>0.00</b>	<b>3,572,798.43</b>
<b>II. Tangible assets</b>				
Other equipment, office, and factory equipment	6,762,726.28	140,554.28	97,679.99	<b>6,805,600.57</b>
<b>III. Financial assets</b>				
1. Shares in affiliated companies	33,607,581.11	6,985,537.40	15,522.31	40,577,596.20
2. Investments	1,109,679.15	0.00	0.00	1,109,679.15
	34,717,260.26	6,985,537.40	15,522.31	<b>41,687,275.35</b>
	<b>44,851,491.27</b>	<b>7,327,385.38</b>	<b>113,202.30</b>	<b>52,065,674.35</b>

Depreciation			Book values		
As of 01/01/2006 €	Depreciation of the financial year €	Disposals €	As of 31/12/2006 €	As of 31/12/2006 €	As of 31/12/2005 €
3,068,285.02	108,264.44	0.00	3,176,549.46	268,426.00	175,396.74
127,822.97	0.00	0.00	127,822.97	0.00	0.00
<b>3,196,107.99</b>	<b>108,264.44</b>	<b>0.00</b>	<b>3,304,372.43</b>	<b>268,426.00</b>	<b>175,396.74</b>
5,776,361.20	368,839.00	49,361.99	<b>6,095,838.21</b>	<b>709,762.36</b>	986,365.08
24,503,951.68	0.00	0.00	24,503,951.68	16,073,644.52	9,103,629.43
1,109,679.15	0.00	0.00	1,109,679.15	0.00	0.00
25,613,630.83	0.00	0.00	<b>25,613,630.83</b>	<b>16,073,644.52</b>	9,103,629.43
<b>34,586,100.02</b>	<b>477,103.44</b>	<b>49,361.99</b>	<b>35,013,841.47</b>	<b>17,051,832.88</b>	<b>10,265,391.25</b>

## Notes to the Financial Statements (HGB) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### Authorised capital

By resolution of the Annual General Meeting on 23 May 2006, authorisations under section 4 (5) and 4 (6) of the Articles of Association to increase the Company's share capital on or before 26 May 2007, by up to € 7,500,000.00 and € 2,632,594.00, respectively (Authorised Capital I/2002 and II/2002) were rescinded. New authorised capital was created as detailed below:

In accordance with the resolution passed by the Annual General Meeting of 23 May 2006, the Executive Board is authorised to increase the share capital on or before 22 May 2011, with the consent of the Supervisory Board, through the issuance of new bearer shares against contributions in cash or in kind up to a total of € 10,000,000.00 on one or more occasions (Authorised Capital). The Executive Board is authorised to exclude shareholders' subscription rights with the consent of the Supervisory Board in the following cases:

- To waive subscription rights for fractional amounts;
- For capital increases against contributions in kind in order to grant shares for the purpose of acquiring companies or holdings in companies;
- In the event of a capital increase against cash contributions, provided that the issue price of the new shares is not significantly lower than the stock exchange price and provided that the proportionate amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed 10 percent of share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised;
- In the event of a capital increase for the issue of employee shares, provided that the proportionate amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed 10 percent of share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised.

The Executive Board is authorised to establish additional details for the execution of a capital increase from authorised capital with the consent of the Supervisory Board.

Under-utilised, authorised capital in the amount of € 10,000,000.00 (prev. year: € 10,132,594.00) is in existence as of 31 December 2006.

### Conditional capital

Conditional capital amounted to € 8,280,000.00 as of 31 December 2006 (prev. year: € 8,280,000.00).

Share capital is conditionally increased up to a nominal € 780,000.00, divided in up to 780,000 individual bearer shares (Conditional capital I/1999). This conditional capital increase serves the granting of purchase rights to members of the Executive Board and Company employees, as well as to members of executive management and employees of affiliated companies, in accordance with the resolution of the Annual General Meeting of 4 June 1999.

The Annual General Meeting of 29 May 2002 decided on a conditional capital increase of up to € 7,500,000, through the issuance of up to 7,500,000 new individual bearer shares, with an entitlement to dividends starting at the beginning of the business year for such issuance (Conditional capital II/2002). The conditional capital increase serves the granting of shares to the owners or creditors of option or convertible bonds that are issued by the Company or a subsidiary up to 26 May 2007, in accordance with the authorisation by the Annual General Meeting of 29 May 2002 as long as the issuance is carried out in cash. It will only be executed insofar as option or conversion rights stemming from the aforementioned bonds are used, or conversion obligations from such bonds are fulfilled.

Through resolution of the Annual General Meeting of 29 May 2002, the Executive Board was authorised to issue option or convertible bonds for a total face value of up to € 100 m., with a term of up to 20 years, once or repeatedly, up until 26 May 2007, or to take over the guarantee for such bonds issued by Company subsidiaries, and to grant the owners or creditors of such bonds option or conversion rights to new Company shares, with a proportionate sum of share capital of up to € 7.5 m., in accordance with closer requirements of the particular conditions for these option or conversion bonds.

### Stock option programmes

The extraordinary Annual General Meeting of 4/24 June 1999 determined the conditional increase of share capital through issuance of up to 260,000 shares (corresponds to 780,000 shares following the 1:3 share split of 16 May 2000, Conditional capital I/1999), for the exclusive granting of purchase rights within the framework of stock option programmes, as well as the main features of the stock option programmes to be launched by the Executive Board. The conditional capital increase is only to be executed insofar as the owners of the purchasing rights issued make use of their purchasing rights pursuant to section 192 (2) No. 3 of the German Stock Corporation Act. Beneficiaries are exclusively members of the Executive Board and employees of GFT Technologies AG as well as 100% subsidiaries, whose purchasing rights have been granted.

The purchasing rights stemming from the stock option programmes "1999/2004" and "2000/2005" established by the Executive Board, expired on 6 July 2004 and 1 July 2005, respectively, without having been exercised. No more purchasing rights exist since 1 July 2005, pursuant to section 192 (2) No. 3 of the German Stock Corporation Act (Akt G).

### Other Provisions

	€(k)
<b>Other provisions of considerable scope</b>	
Employee commissions/bonuses	1,849
Anniversary obligations	986
Possible losses from rental agreements	593
Holiday obligations	400
Severance payments, indemnifications	355
Outstanding purchase invoices	271
Preparation of accounts and audit	230
Annual general meeting/Annual report	185
	<b>4,869</b>
Remaining	459
	<b>5,328</b>

## Notes to the Financial Statements (HGB) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

**Liabilities**

The data on liabilities result from the following table:

	Remaining term		Total amount 31/12/2006 €	Thereof secured through liens and similar rights €	Nature and form of the securities
	up to 1 year €	more than 5 years €			
Liabilities to banks	0.00 (prev. yr.: €(k) 10)	0.00 (prev. yr.: €(k) –)	0.00 (prev. yr.: €(k) 23)	0.00 prev. yr.: €(k) 23)	Prev. year: Collateral assignment motor vehicle
Advance payments on orders	1,007,259.00 (prev. yr.: €(k) 1,910)	0.00 (prev. yr.: €(k) –)	1,007,259.00 (prev. yr.: €(k) 1,910)		
Trade liabilities	10,140,944.74 (prev. yr.: €(k) 8,962)	0.00 (prev. yr.: €(k))	10,140,944.74 (prev. yr.: 8,962 €(k) –)		Customary ownership reservation
Liabilities to affiliates	1,546,902.49 (prev. yr.: €(k) 1,054)	0.00 (prev. yr.: €(k) –)	1,546,902.49 (prev. yr.: €(k) 1,054)		
Liabilities to companies with which an investment exists	33,770.53 (prev. yr.: €(k) 27)	0.00 (prev. yr.: €(k) –)	33,770.53 (prev. yr.: €(k) 27)		
Other liabilities	802,353.98 (prev. yr.: €(k) 2,232)	0.00 (prev. yr.: €(k) –)	802,353.98 (prev. yr.: €(k) 2,232)		
- thereof from taxes	374,097.53 (prev. yr.: €(k) 1,453)				
- thereof within the scope of social security	104,394.53 (prev. yr.: €(k) 456)				
	<b>13,531,230.74</b> <b>(prev. yr.: €(k) 14,195)</b>	<b>0.00</b> <b>(prev. yr.: €(k) –)</b>	<b>13,531,230.74</b> <b>(prev. yr.: €(k) 14,208)</b>		

The liabilities to affiliates concern trade liabilities (€(k) 1,463 prev. year: €(k) 986) and other liabilities (€(k) 84; prev. year: €(k) 68). The liabilities to companies with which there is an investment are the result of deliveries and services (€(k) 34; prev. year: €(k) 27).

**Derivative financial instruments**

On 31 December 2006, an interest-related derivative financial instrument of the "swap" type, with a nominal volume of €(k) 1,000 and a current value of €(k) -66 to be attached, came into existence. The current value to be attached was determined using the mark-to-market valuation methods, using the end-of-day mid-market exchange rate. The derivative financial instrument was registered in the balance sheet item "Other provisions" with a book value of €(k) -66, as of 31 December 2006.

## 2. Income statement

### Revenue

	2006 €(k)	2005 €(k)
<b>Breakdown by fields of operation</b>		
Consulting and development of software	24,212	38,962
Freelance agency	44,100	37,974
Maintenance proceeds	8,084	1,909
Sale of software products	-	5
Other revenue	4	68
	<b>76,400</b>	<b>78,918</b>
<b>Breakdown by regions</b>		
Domestic	72,394	77,576
International	4,006	1,342
	<b>76,400</b>	<b>78,918</b>

### Other operating income/other operating expenses

Other operating income of €(k) 539 (prev. year: €(k) 872) include income that is imputable to a different business year; it essentially pertains to the reversal of provisions (€(k) 412; prev. yr.: €(k) 687), income from depreciated receivables (€(k) 127, prev. year: €(k)–), bad debts recovered (€(k)–; prev. year: €(k)146), and income from the disposal of fixed assets (€(k)–; prev. year: €(k) 16).

Other operating expenses include an amount of €(k) 192 from the sale of the “GFT Media” division, which occurred in the financial year 2005, since the buyer did not achieve specified revenue targets (prior year revenues from the sale of the “GFT Media” division €(k) 723). Other out-of-period operating expenses contain sums totalling €(k)– (prev. year.: €(k) 29) which belong to other periods.

### Depreciations

The scheduled depreciation of goodwill over a period of 15 years is carried out according to section 7 (1) sentence 3 of the German Income Tax Act.

The depreciation of financial assets and marketable securities contain no unscheduled depreciations of financial assets (prev. year: €(k) 35), pursuant to section 253 (2) sentence 3 of the German Commercial Code.

### Taxes on income

Taxes on income include tax proceeds from the activation of the deferred asset of corporate tax payment in the amount of €(k) 679 (prev. year: €(k)–) according to section 37 KStG, proceeds for the current year in the amount of €(k) 1 (prev. year: tax expenditures of €(k) 226), tax proceeds for previous years in the amount of €(k)– (prev. year: €(k) 222), and a deferred tax proceed of €(k) 41 (prev. year.: €(k) 20).

### Other taxes

Other taxes include an out of period proceed in the amount of €(k) 95 (prev. year: €(k)–).

## Notes to the Financial Statements (HGB) as of 31 December 2006

GFT Technologies Aktiengesellschaft, St. Georgen

### III. Other Data

#### Contingencies

GFT AG is liable for undertaking the respectively necessary measures for the prevention of overextension or insolvency of its subsidiary GFT Technologies (Switzerland) AG, Wallisellen, Switzerland, during the entire year 2007.

GFT AG is liable to fulfill the liabilities of its subsidiary GFT Technologies GmbH, Vienna, Austria, in case of insolvency or overextension to the full extent, as it is necessary for the clearance of insolvency and overextension.

GFT AG is liable for a client of its subsidiary emagine gmbh, Eschborn, Germany, to capitalise emagine gmbh so that it is able to fulfill its liabilities to the client. Such debts also exist for two clients of the subsidiary GFT Technologies (Switzerland) AG, Wallisellen, Switzerland.

The Company will have availability of bank custody accounts in the amount of €(k) 3,251 (prev. year: €(k) 5,009), only with the express consent of the corresponding banks.

Of the assets at financial institutions €(k) 565 (prev. year: €(k) –) are pledged to each bank for assurance.

GFT AG has assumed a guarantee against a bank (€(k) 5,028; prev. year.: €(k) 28) in favour of an affiliate.

#### Other financial obligations

Obligations stemming from temporary rental, leasing, and licence agreements exist, as far as they are not shown in the balance sheet, totalling €(k) 4,552 (prev. year: €(k) 2,469). In addition, obligations from open-ended rental agreements in the amount of €(k) 213 per year (prev. year: €(k) 305 per year) also exist.

#### Data pursuant to section 160 (1) No. 8 of the German Stock Corporation Act

On 12 January 2007, GFT AG was informed by the Baden-Württembergische Investmentgesellschaft mbH, Stuttgart, of the existence of equity interest, the content of which was made public as follows:

*“The Baden-Württembergische Investmentgesellschaft mbH, with headquarters in Stuttgart, Germany, has informed GFT via a communication dated 12 January 2007, pursuant to section 21 (1) of the German Securities Trading Act (WpHG), that its percentage of voting rights in GFT Technologies AG, including those represented in all investment funds, exceeded the voting rights threshold of 5% on 6 December 2006 and presently amounts to 5.997%. This disclosure is the result of the merger of SüdKA and BWK and the simultaneous renaming of BWK to BWInvest, as the company is legally known as of 6 December 2006.”*

On 14 February 2006, GFT AG was informed through the KST Beteiligungs Aktiengesellschaft in Stuttgart, of the existence of an equity interest, the content of which was made public as follows:

*“The KST Beteiligungs Aktiengesellschaft, with headquarters in Stuttgart, has informed us via a communication dated 14 February 2006, pursuant to section 21 (1) of the German Securities Trading Act (WpHG), that its voting right percentage in GFT Technologies AG exceeded the voting rights threshold of 5% on 14 February 2006, and presently amounts to 7.06%.”*

On 15 February 2006, GFT AG was informed through the Deutsche Bank AG, in Frankfurt am Main, of the existence of equity interest, the content of which was made public as follows:

*“ The Deutsche Bank Aktiengesellschaft, with headquarters in Frankfurt/IM, has informed us through a communication dated 15 February 2006, pursuant to section 21 (1) of the German Securities Trading Act (WpHG), that its voting right percentage in GFT Technologies AG exceeded the voting rights thresholds of 10% and 5% on 14 February 2006, and presently amounts to 2.47%. “ It was further communicated that this voting right percentage of 2.47% is to be imputed to the Deutsche Bank Aktiengesellschaft pursuant to section 22 (1) sentence 1 No. 1 of the German Securities Trading Act. “*

On 3 April 2002, GFT AG was informed through Mr. Ulrich Dietz and Mrs. Maria Dietz, of St. Georgen, of the existence of equity interest, the content of which was made public as follows:

*“ Mr. Ulrich Dietz, domiciled in St. Georgen, informed us on 3 April 2002, pursuant to section 41 (2) sentence 1 of the German Securities Trading Act, that 29.94% of the voting rights in GFT Technologies AG are imputable to him as of 1 April 2002. Mrs. Maria Dietz, domiciled in St. Georgen, informed us on 3 April 2002, pursuant to section 41 (2) sentence 1 of the German Securities Trading Act, that 9.67% of the voting rights in GFT Technologies AG are imputable to her as of 1 April 2002. “*

### Issuance of the Statement on the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act

On 11 December 2006, the Executive Board and the Supervisory Board issued the updated Declaration of Conformity pursuant to section 161 of the German Stock Corporation Act, and made it available to all shareholders on the Company's website as of 14 December 2006.

### Honorarium for the balance sheet auditor

The honorarium expense determined for the balance sheet auditor for the business year 2006 amounted to:

	€(k)
The auditing of financial statements	151
Other ratification or valuation services	72
Tax accountancy services	-
Other services	10
	<b>233</b>

### Board of Directors

(see page 132).

Total remuneration for the Executive Board for the 2006 fiscal year amounted to €(k) 1,432 (prev. year: €(k) 1,196).

Total remuneration for the Supervisory Board for the 2006 fiscal year amounted to €(k) 83 (prev. year: €(k) 56).

### Employees

During the fiscal year 2006, an average of 206 workers (prev. year: 236) were employed.

### Consolidated financial statement

As the parent company, GFT AG prepares a Consolidated Financial Statements for the GFT Group, pursuant to section 315a of the German Commercial Code.

St. Georgen, 28 February 2007

GFT Technologies Aktiengesellschaft  
Executive Board



Ulrich Dietz  
Executive Board (Chairman)



Marika Lulay  
Executive Board



Dr. Jochen Ruetz  
Executive Board

## Board of Directors

Executive Board	Supervisory Board seats	further memberships in comparable controlling bodies
<p><b>Mr. Ulrich Dietz</b> Chief Executive of the Board, responsible for the segments <i>Resourcing</i> and <i>Software</i> as well as for the corporate functions Marketing, Communications and Investor Relations</p>	<p>GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain (Chairman) Sparkasse Schwarzwald-Baar (Advisory Board)</p>	<p>Deutsche Bank AG, Stuttgart (advisory committee)</p>
<p><b>Ms. Marika Lulay</b> Member of the Board, responsible for the segment <i>Services</i> as well as for the corporate functions Technology and Quality Management</p>	<p>GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain (Deputy Chairman) GFT Technologies (Switzerland) AG, Wallisellen, Switzerland (Advisory Board) GFT UK Limited, London, Great Britain (Member of the Board) GFT Technologies (India) Private Limited, Trichy, India (Member of the Board)</p>	
<p><b>Dr. Jochen Ruetz</b> Member of the Board, responsible for the corporate functions Finance, Controlling, Human Resources, Internal Revision, Legal and Internal IT</p>	<p>G. Elsinghorst Handelsgesellschaft mbH, Bocholt, Germany GFT Iberia Solutions, S.A., Sant Cugat del Vallés, Spain</p>	
Supervisory Board	Supervisory Board seats	
<p><b>Mr. Franz Niedermaier</b> Former CEO Oracle Deutschland GmbH, Chairman</p>	<p>SECARON AG, Munich (Deputy Chairman) Intrafind Software AG, Munich (Chairman)</p>	
<p><b>Dr. Peter Opitz</b> Laywer, (since 27 January 2006) Assistant Chairman</p>		
<p><b>Prof. Dr. Gerhard Barth</b> Partner at IMACOS Truckenmüller, Struck &amp; Partner, Stuttgart</p>		
<p><b>Dr. Thorsten Demel</b> Chief Operating Officer, Managing Director Group Technology &amp; Operations, Deutsche Bank AG</p>	<p>Pago eTransaction GmbH, Cologne GZS Gesellschaft für Zahlungssysteme mbH, Bad Vilbel (until 13 June 2006) sinius GmbH, Duesseldorf (until 6 February 2006)</p>	
<p><b>Dr. Simon Kischkel</b> Project Director GFT Technologies AG, in St. Georgen (employee)</p>		
<p><b>Ms. Ingrid Schmidt</b> Project Manager GFT Technologies AG, in St. Georgen (employee)</p>		

## Auditor's Report

GFT Technologies Aktiengesellschaft, St. Georgen

We have audited the annual financial statement – comprising the balance sheet, profit and loss account and appendix – including the bookkeeping system, the summarised management report and Group management report for GFT Technologies Aktiengesellschaft, St. Georgen, for the financial year starting 1 January 2006 and ending 31 December 2006. The bookkeeping system as well as the summarised management report and Group management report according to the German Commercial Code are the responsibility of the company's legal representatives. It is our responsibility to express an opinion, based on our audit, of the annual financial statement including the bookkeeping system, and of the summarised management report and Group management report.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position, and earnings situation in the annual financial statements in accordance with German principles of proper accounting and in the summarised management report and Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping system, the annual financial statements and the summarised management report and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles applied and significant estimates made by the legal representatives as well as evaluating the overall presentation of the annual financial statements, the summarised management report and 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 annual financial statements provide a true and fair view of the company's net asset, financial position and earnings situation which is in keeping with the legal prescriptions and complies with the principles of proper accounting. The summarised management report and Group management report agree with the annual financial statements and as a whole provide a suitable view of the company's position and accurately present the opportunities and risks of future development.

Stuttgart, 5 March 2007

Grant Thornton GmbH  
Wirtschaftsprüfungsgesellschaft



Müller  
Auditor



Hämmerle  
Auditor

# Glossary

## Application

Software application

## Application Development

Development of software for corporate information systems and technical applications

## Application Management

Operation, monitoring, and maintenance of software applications based on service agreements

## Audit

Accounting control, audit of companies, processes, or projects, etc.

## Backend

Established operational hard- and/or software systems that support existing business processes.

## Business Consulting

Due to extensive competence in sales management, in process organisation and technology support GFT advises financial services providers in the structure of business processes, the analysis and design of technological solutions, as well as in implementation of quality management. The service spectrum ranges from the analysis and optimisation of business processes, to specification of requirements and functions in accordance with the proven GFT roadmap methodology, from valuation and selection of high-performance and flexible systems to programme management and quality management in implementation projects.

## Business Process Management (BPM)

Extended workflow system that enables the automation of business processes. The processes thus become standardised, accelerated and consequently they become more efficient.

## Capability Maturity Model Integration (CMMI)

Standardised process model in the software and systems development field to assess and improve the quality ("maturity") of product development processes. CMMI is the new version of the Capability Maturity Model (SW-CMM or CMM) software.

## Client-Server System

Client-server system is a term from the field of electronic data processing. A client-server system consists of a client that establishes a connection to a server. The server makes a service available. The client offers the user interface to the application.

## Compliance

Refers to continuous concurrence with codes of conduct, laws and guidelines

## Content Management Systems

Systems for managing and maintaining website content.

## Corporate Governance Codex

Catalogue of rules for corporate governance rules based on internationally recognised standards of good and responsible corporate governance

## Cross-Border Development

Software development involving several sites or countries for time and cost-saving reasons

## Cross-Selling Potential

Possibility of expanding the sales success of product/services in one area, on the basis of an existing customer relationship, to other sales channels or service/product areas of a company

## Customer Relationship Management (CRM)

CRM is the designation for the establishment, as well as management and maintenance, of customer relationships.

## Digital Signature

Electronic signature. Intended to confirm the identity of a communications or business partner on the Internet, especially with respect to payment and legally binding transactions. Digital signatures are allocated by an authorised authority (trust center).

## Directors' Dealings

Persons who take on management responsibilities in a company that issues shares are obligated, in accordance with Article 15a of the German Securities Trading Act, to report their own transactions involving shares of the company the issues stock, to the company that issued the stock and to the Federal Institute within five workdays.

## Document Management

Refers to database-supported management of electronic documents. In Germany the term includes management of documents that for the most part are paper-based documents in electronic systems. In the management of paper documents, on the other hand, reference is made to filing cabinets. The acronym DMS stands for Document Management System and is used in an extended sense as a term for the industry. Currently document management is considered to be an ECM component of the more inclusive term Enterprise Content Management (ECM).

## Document Management System (DMS)

Software application for implementing document management

## DVFA

Deutsche Vereinigung für Finanzanalyse und Asset Management (German Association for Financial analysis and Asset Management). Trade association of financial market experts in Germany.

## Enterprise Content Management (ECM)

The term Enterprise Content Management includes technologies for capture, management, storage, preserving, and provisioning of content and documentation to support organisational processes.

## Enterprise Portals

Extensive online platform with central access and management that bundles presentation as well as functionalities of all websites existing in a company (Internet, extranet, and intranet).

## Enterprise Resource Planning (ERP)

Business application software (e.g. SAP R/3) that identifies and plans company's resources. It processes customer orders from order intake to settlement and entry into the books.

## ERP System

ERP systems consist of complex application software that supports resource planning throughout an entire enterprise.

## Fixed Value Project

Project for which fixed commitments in terms of price, completion date, and scope of services have been made.

## Freelance Agency

Agency for procurement of freelance workers as well as their management

## Freelance Business

Provision of free-lance workers as well as their management

## Frontend

Graphic user surface that allows users to access, navigate, interact and communicate with stored programmes.

## German Entrepreneurial Index (GEX)

New stock index computed and published by the German Stock Exchange as a performance and price index since 3 January 2005. The index reflects the trend in shares of owner-managed German firms. The GEX includes German companies from the Prime Standard of the Frankfurt Stock Exchange that have been listed for a maximum of ten years and that are managed by their owners. The owners must hold at least 25% of the shares.

**German Takeover Directive Implementation Act**

The German Takeover Directive Implementation Act from 8 July 2006 became effective on 14 July 2006. This Act implements the guideline 2004/25/EG (21 April 2004) of the European Parliament and the European Council referring to tender offers. Aim of the Takeover Directive is the creation of a basic regulation for takeover proceedings. Its purpose is to protect the investors' interests if there is a takeover offer and other of gains of control. The definition of minimum standards for handling offers for takeover aim for creating transparency within the whole union.

**GFT *hyparchiv***

Archiving and document management system of GFT. It helps organising the entire document pool in the enterprise and can be implemented in heterogenous IT landscapes via interfaces. GFT *hyparchiv* ensures tamper-proof, long term archival for ERP, mail systems and web applications.

**GFT *inspire***

With the Business Process Management solution from GFT, a powerful platform is available for complete automation of your business processes. Delays, alterations and interruptions to even complex business processes are consigned to the past, thanks to GFT *inspire*.

**GOAL**

GFT Online Academy Learning Platform. Learning platform for GFT employees

**Goodwill Adjustment**

Recording and setoff of goodwill. Goodwill arises when a company's purchase price exceeds the total of the asset and liability items taken over. This excess price is reported in the balance sheet as goodwill and is written down regularly over a certain period.

**Human Resources**

Personnel department

**Integration**

Integration in the context of information technology, particularly in the software technology links different applications. In distinction to coupling this involves a reduction and avoidance of interfaces. A distinction is made between function integration, data integration and business process integration.

**Investor Relations**

Managing the relationships of a joint stock company to its private investors, institutional investors and analysts.

**IT (Information Technology)**

The term extends from data processing in companies via Internet technologies to mobile communication via mobile phones.

**Migration**

In the IT context migration refers to intergration or transfer of old technology to new technology with extensive utilisation of existing technology.

**Nearshoring**

Outsourcing services to external providers and concurrent outsourcing to other continents

**Offshoring**

Outsourcing services to other countries and to other continents e.g. India, China

**Offshore-Outsourcing**

Allocation of services to external providers and concurrent outsourcing to other continents

**Outsourcing**

Final allocation of services that previously were created internally to external providers

**Portal**

In the information technology context the term portal refers to an application system that serves the following purposes:

- Search and presentatin of information.
- Integration of appliances, processes and services.
- Provision of functions for personalisation, security, navigation, and user management

**Prime Standard**

A quality segment introduced on the German stock market in January 2003

**Recruiting Campaign**

Campaign with the purpose to gain new colleagues

**Resource Management**

At GFT it refers to procurement and management of IT specialists.

**Resourcing**

*Resourcing* is one of GFT's business lines. It includes the entire procurement process, as well as contract and supplier management of non-strategic IT service providers; from individual free-lance IT specialists to complete IT service providers.

**Return on Investment (ROI)**

Return on investment respectively capital

**Risk Controlling**

Regular monitoring and control of risks and arrangements, inclusive development of methods as well as the according analysis of risks and reporting through a neutral unit

**Risk Management**

Regular systematic and continuous identification, analysis, evaluation and control of potential risks, which might endanger the financial or result position in the long run

**Roadshow**

Presentation of a company, mostly done by a member of the management at different places.

**Service Level Agreement (SLA)**

Written agreement between a customer and a service provider (frequently as component of a service or maintenance agreement) for regulating business processes, competencies, and costs. This includes scope and functionality of services that will be provided, as well as their performance level.

**SOA**

**Service Oriented Architecture:** in software architecture or in software design this is an approach for designing distributed systems

**Small Cap Conference**

A three-day conference, organised by the DVFA (German Association for finance analyse and asset management); especially for small stock listed companies. It offers the possibility – by presentations, roundtables and one-on-one interviews – to present the company, to demonstrate the potential on investment, strategies and finance data in front of investors and intermediaries.

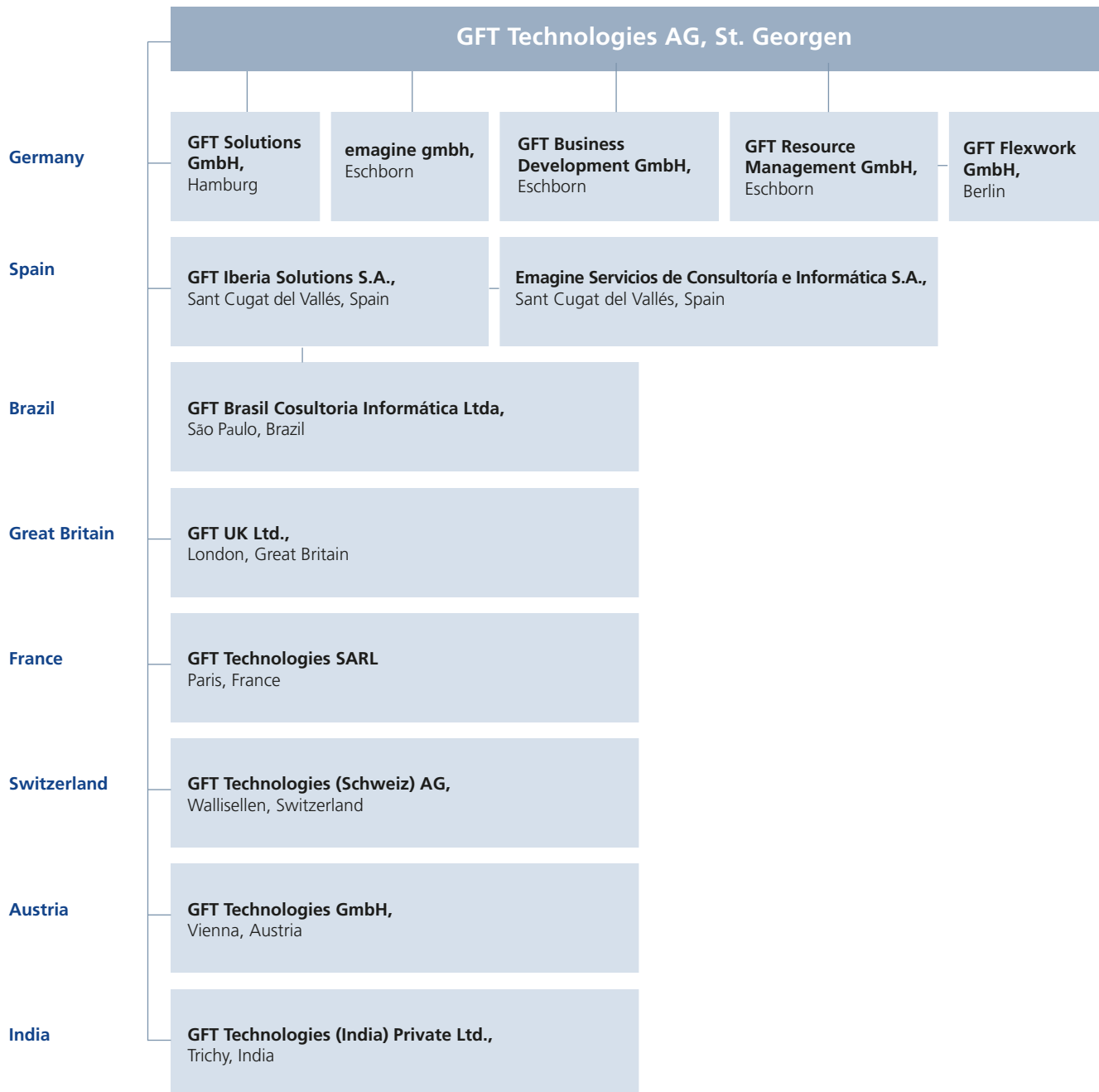
**Third Party Management**

Complete outsourcing of the procurement process for non-strategic suppliers. The GFT subsidiary emagine offers companies the administration of free-lance IT specialists, as well as small IT service providers, in order to significantly reduce the procurement and process costs of the purchasing company.

**ZORA**

Future orientated retail application; computer system used in the subsidiaries of Deutsche Post (German Mail)

## The GFT Group



# Financial Calendar/Imprint

## Dates

Annual results press conference	29 March 2007
1st Quarter Report	10 May 2007
Annual General Meeting	22 May 2007
2nd Quarter Report	9 August 2007
3rd Quarter Report	8 November 2007

## Further Information

Write to us or call us if you have any questions. Our Investor Relations Team will be happy to answer them for you. Or visit our website at [www.gft.com/ir](http://www.gft.com/ir). There you can find further information on our company and the GFT share.

### GFT Technologies AG

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The Annual Report is also available in German. The online version of the Annual Reports in German and English are available in the web under [www.gft.de/ir](http://www.gft.de/ir).

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## Imprint

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## Five-year Summary

### Financial figures according to IFRS in €m.

	01/01/-31/12/ 2006	01/01/-31/12/ 2005	01/01/-31/12/ 2004	01/01/-31/12/ 2003	01/01/-31/12/ 2002
Revenue	173.678	120.944	125.527	138.085	155.736
Earnings before interest, tax, depreciation and amortisation	7.310	2.111	1.603	-1.548	-11.193
Total depreciation	1.163	1.262	4.209	12.353	23.071
Amortisation of goodwill	0.000	0.000	2.389	8.669	17.959
Earnings before interest and taxes (EBIT)	6.147	0.849	-2.605	-13.901	-34.264
Earnings before taxes (EBT)	6.665	1.579	-2.195	-13.428	-34.102
Net income/net loss as of 31/12	5.109	1.064	-3.866	-17.711	-28.737
IAS earnings per share, in €	0.19	0.04	-0.14	-0.67	-1.09
Fixed assets	23.556	18.208	18.473	22.080	33.770
Liquid assets and securities	23.891	28.648	30.637	36.028	38.163
Remaining current assets	38.490	25.847	20.379	18.791	28.479
Equity ratio, in %	54	57	57	56	58
Number of permanent employees at the end of the year	1,057	981	1,039	1,058	1,090

# Locations

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