



Annual Report |

2006



| Bridging the Present and the Future



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Fatih-Sultan-Mehmet-Bridge
over the Bosphorus, Istanbul,
Turkey; a direct connection between
the East and West.

Overcoming barriers

Wishes are the most formidable bridge builders
and the bravest crossers.

Elfriede Hablé,
austrian aphorist and musician

Bridging the Present and the Future



THE MARKET

Expanding global economy

The upturn is still going strong. In 2007, the growth rate for the world economy is expected to be higher than the long-term average for the fifth time running. The International Monetary Fund (IMF) in particular is confident that the global economy in 2007 is set to achieve a new balance with high growth rates. According to experts' predictions, the worldwide economic growth rate is likely to be around 4.3 percent, only half a percentage point below the average for 2003 to 2006. For the US, however, economists anticipate a growth rate below the long-term potential. Here, experts are fluctuating between the hope of a soft landing in 2007 and fear of a recession. The economic growth rate in the US has gradually decreased from 5.6 percent to the latest figure of 2.0 percent.

Above-average development in the euro zone

IMF analysts anticipate that other regions will be able to make up for the disappointing figures in the US. The euro zone economy, for example, has just seen a year of above-average growth rates, with gross domestic product in 2006 increasing by 2.4 percent. As for 2007, economists predict an increase of just over two percent. The main reason for this positive forecast is apparently the current strength of the German economy, the largest in the euro region.

In five to ten years, it is perceivable that the long-term growth rate in the US will have fallen to 2.5 percent, while that in the euro zone may have increased to 2.5 percent. In the 1990s, productivity in the US was greatly powered by progress in information technology.



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In contrast, the present development corresponds much more closely to a normal progression. According to experts, the euro zone economy can most certainly catch up if the structural reforms on the job market and in corporate tax are continued, and in particular if the service sector is further supported.

In Japan, following a long depression, a growth rate of 2.9 percent was recorded in 2006. Economists expect that this increase will fall to two percent due to a low level of domestic demand. Conversely, they predict growth rates

has finally also reached the job market. In 2007, the German economy is set to remain agile, with most economists considering the positive trend to be so strong that restraining effects such as tax increases and the capping of tax benefits can be overcome. The majority of growth rate forecasts for 2007 are just below two percent, following 2.5 percent for 2006.



of ten and eight percent respectively for the Chinese and Indian economies. Neither of these two countries are yet in a position to take on a leading role in the world economy. The proportion of worldwide goods and services accounted for by the BRIC countries (Brazil, Russia, India and China) currently only amounts to ten percent. In comparison, the US accounts for 28 percent, Japan ten percent and Germany six percent.

Dynamic economy in Germany

The economy in 2006 developed much more dynamically in Germany than in the rest of the euro zone. As a result of wage restraints and restructuring measures, companies in Germany have become much more competitive and profitable. This creates an incentive to invest, both for industries that focus on foreign trade and for those more oriented towards domestic trade. Moreover, the upturn

THE INDUSTRY

Four percent increase expected for the EMEA region

Following on from a good year in 2006 for information technology, leading analysts are not quite so optimistic about 2007, fearing that users will be less willing to increase their investment in IT than they were last year. According to their forecasts, IT managers in the EMEA region (Europe, Middle East and Africa) will make investments worth EUR 328 billion, which is around four percent more than in 2006. In comparison, IT spending increased by around five percent there from 2005 to 2006. IT managers are likely to be more restrained than last year in the US, too. Overall, experts expect an investment volume in the United States of EUR 408 billion, five percent up on the figure in 2006. From 2005 to 2006, IT suppliers recorded an increase of six percent.

Worldwide, market observers expect IT spending to amount to EUR 1.2 trillion. After two years of growth rates around eight percent, the increase in investment has slowed down two percentage points to six percent, a figure that experts describe as being “moderate”. At the same time, they anticipate drastic change on the global IT market. On the lookout for further growth, information technology suppliers are set to start paying more attention to new markets in South America and Asia. In addition, small and mid-sized companies are likely to be addressed more frequently as po-

shown that having uniform systems worldwide greatly improves efficiency, which in turn makes it easier to standardize business processes.

The aim of many IT managers is to increase the efficiency of the supporting EDP processes. In contrast, reducing costs is no longer such a high priority as it was last year. Following several years of cost minimization, information technology is now permitted to cost money again, as long as it provides companies with the advantages they expect. Many companies



tential IT buyers. Despite the fact that the most recent prognoses of experts predict a sluggish year on the IT market in 2007, suppliers have no cause for complaint. Even if budgets fail to increase as rapidly as they have in the recent past, the industry is continuing to grow.

Standard business software still in demand

Enterprise Resource Planning (ERP) remains unaffected by all trends and is just as important to IT managers as in the previous year. This issue remains right at the top of the list of priorities as, for many an international company, the harmonization and consolidation of ERP systems is a permanent need – something that is understandable if you consider persistent globalization, and the large number of company mergers and acquisitions. Developments over the past two years have clearly

have obviously realized that saving on its own does not lead to an optimum cost-benefit ratio in the long term. Furthermore, the economy has recovered slightly, with the result that companies now have leeway for investments again.

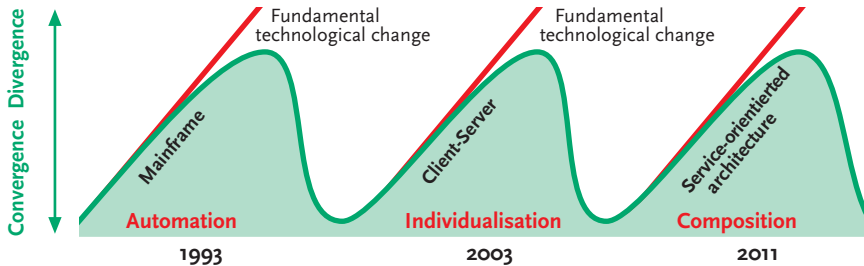
Improved performance for business processes

If the performance of ERP services is to be improved, the most important thing is to cover business processes in the best possible way, and to provide users with optimum support. In view of this, the role of IT is also changing, with the result that it now needs to support corporate goals and consider processes as a whole, rather than simply specifically meeting individual user department requirements. In contrast, system security is not such



a worry for IT managers this year, and the same can be said of flexible access to ERP applications. Following the security hype experienced in recent years, security standards appear to have risen. What's more, many companies have already implemented mobile applications for management, marketing, sales, service, logistics and field sales, meaning that demand in these areas is currently lower. The spotlight is now on goals pursued in connection with consolidation and harmonization projects, which in many cases improve support for business processes.

As it currently stands, SAP has the best chance of opening up the advantages of the SOA concept to end users. SAP is the only company able to offer a comprehensive range of business and industry applications. If these applications can be flexibly combined with the aid of a service-oriented architecture, and thus quickly adapted to constantly changing business processes, SAP will gain a unique selling proposition and will be able to offer additional customer benefits.



It is becoming increasingly important to be flexible and to adjust rapidly to changing business processes, something that is no longer possible in the old SAP environment. However, a substantial improvement can be achieved here through service-oriented architectures (SOAs). At the same time, there is very tough global competition in this area. Companies aspiring to play in the IT industry "Champions League" need to be able to measure up to the big players. As a result, all SAP competitors are also placing their bets on the SOA concept, and each has their own reasons for this. Oracle wants to integrate the many different applications it has acquired, IBM wants to be able to offer business applications from the Partner Community that it does not currently have, and Microsoft wants to take a piece of the business application cake by offering applications of its own on the .net platform.

Some IT decision-makers already use a service-oriented architecture (SOA) today, or at least plan to revise their systems in this direction. This means that the companies for which a service-oriented architecture can bring significant competitive advantages are quickly adapting their systems. Others are continuing to work on consolidation and harmonization projects, and are planning to implement service-oriented architectures at some stage in the future. In any case, managers are aware of the issue. As a result of its complexity, they consider the development of a service-oriented architecture as a step to be incorporated into long-term planning, and implemented in conjunction with other projects.

THE EMPLOYEES

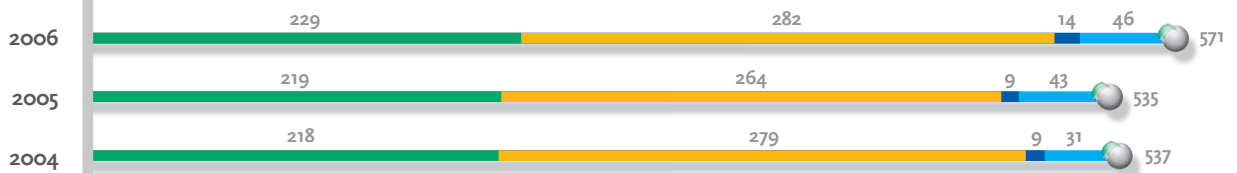
Feeling at home, being important and progressing

For IT service providers such as REALTECH AG, the number one priority has to be their employees. After all, services are provided by people. The more customer-oriented and service-oriented employees are, especially in the company's core business field of consulting, the more successful the company is. It is through their expertise that they safeguard

ensuring that their knowledge is always up to date. In addition, ties are established here that cover extensive customer requirements. This puts all consultants in a position to subsequently respond to customer requests. In the ideal case, this gives rise to new order opportunities, as consultants are trained to look beyond their own technological horizon.

This all makes it a lot easier for new colleagues to learn the ropes in a different working environment, something that can otherwise be rather difficult. One positive consequence of

Employees by regions (end of year)



Germany Rest of Europe USA Asia Pacific

the market position of REALTECH as a consulting specialist for SAP system environments, and establish important competitive advantages. The great status that REALTECH employees enjoy is clearly reflected in the internal motto "Feeling at home, being important and progressing".

Feeling at home

The main aspects that employees at REALTECH appreciate are the great team spirit, short processing and decision-making methods, challenging work, and friendly colleagues. Regular meetings for the various teams strengthen group ties, while establishing a supportive relationship with superiors. What's more, an active network exists among consultants, with the result that colleagues support one another and perceive the company as a whole, over and above their individual project assignments.

Employees familiarize themselves with new topics in internal specialist groups, therefore

this is that employees discover their qualities sooner than they would normally, thus benefiting all parties involved. "When I joined REALTECH, I really appreciated the fact that my new colleagues gave me such a warm welcome. I didn't experience such a great team spirit at any of the companies I had worked for before. Working here is really fun," confirms an SAP NetWeaver Consultant at REALTECH.

Being important

At REALTECH, employees know that they are needed right from the start. Superiors regularly maintain personal contact with their team members, even when they are working on assignments on customer premises. In addition, teams are not oversized, and everyone is given the freedom to input their own ideas. This means that all employees make a key contribution towards the company's success. Mentors from the top consultant level take new colleagues under their wing, helping them to find their feet both in the company and in



their new jobs. This speeds up the process of integrating new employees.

One essential criterion that job applicants at REALTECH have to meet is a strong personality. They are also expected to have excellent communication and perception skills, so that they can present themselves accordingly during professional customer contact. The company counts on people who know what they want, who act autonomously, who have ideas of their own, and who communicate these ideas and put them into practice.

Based on a three-path career model, REALTECH offers all employees the chance to position themselves in line with their talents and strengths, and to systematically further develop their skills. On top of this, the company has a program for potential new managers, a high potential program for consultants and regular basic consulting training for new employees. As an internationally oriented company, REALTECH additionally enables its consultants to spend time working abroad.

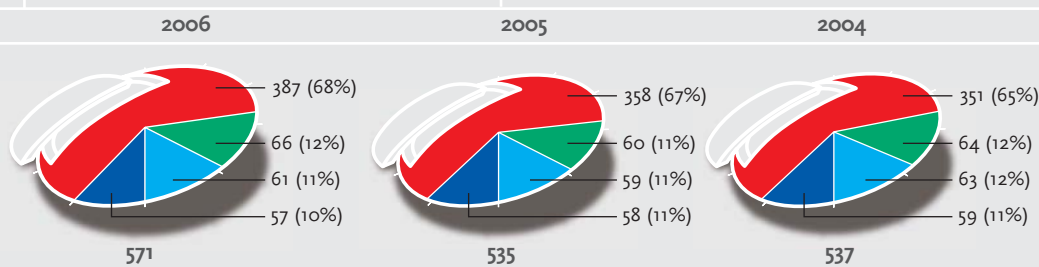


Progressing

Successful companies don't just place demands on employees, they also help them to meet these demands. REALTECH attaches great importance to the specialist expertise and personal skills of employees. After all, the company aspires to advise customers with outstanding know-how, to cater to their individual needs, and to come up with innovative ideas. In this way, REALTECH sets itself apart and secures the company an important competitive edge.

Individual, medium-term career plans are drawn up for each employee. These plans are supported by qualification programs for technical and personal further development. One of the main tasks of these further training programs is to get employees to focus on new issues. This is because, as a result of technical progress, specialized knowledge built up in past years quickly loses value if it is not regularly updated.

The best example of the fact that REALTECH always keeps up to date with technological development is the SAP NetWeaver platform, which has been constantly gaining in importance since its launch in 2002. Products such



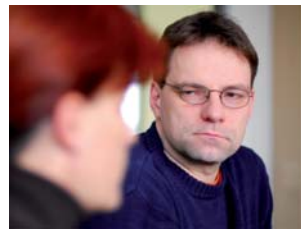
Employees by sectors
(end of year)
Consulting
Development
Sales
General and administration

as SAP NetWeaver and the SAP Enterprise Service Oriented Architecture (ESOA) technology have created a great new challenge for the SAP consultant market. These new skills that consultants need to develop made it necessary to modify the company's qualification strategy. REALTECH anticipated this fast-growing SAP innovation early on, reorganizing its training program for SAP consultants accordingly. REALTECH customers have now also begun to make use of these training courses in order to get their employees in shape for the new challenges.

Employee numbers have only changed very slightly, with REALTECH AG employing 571 people on December 31, 2006 compared to 535 a year earlier. Out of these, 229 employees worked in Germany, compared to 219 the previous year, while around 60 percent worked at the company's international sites.

Prospects

Companies such as REALTECH that have responded to new market trends with appropriate further training measures at an early stage



In 2007, REALTECH is launching an employee qualification program called STEP-IN, which is aimed at both experienced consultants and those new to the job. The aim of this initiative is to provide employees with practical training to turn them into qualified SAP NetWeaver consultants. The program, spanning several weeks, has an ambitious goal, namely to get participants in shape for future SAP consulting projects. SAP-specific specialist courses are supplemented by training seminars designed to improve method expertise and social skills, whereby this covers not only problem-solving strategies and project management, but also presentation and workshop techniques. Once they have completed the qualification program, employees are then incorporated directly into projects – either working as independent consultants or teaming up with an experienced colleague.

can already establish a decisive competitive edge in the area of new SAP technologies. After all, not all SAP service providers possessed the strategic farsightedness and the necessary financial resources in order to qualify their employees in the relevant areas. REALTECH expects the number of SAP NetWeaver projects to rise substantially in the future, a development that will be reflected in positive results at REALTECH, especially in the years 2007 and 2008.



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THE ROAD

Mastering complexity

Flexibility, innovation and the ability to respond will be the decisive factors in future competition. Companies wanting to get ahead need to adapt their services without delay to the latest developments, customer requirements and market changes. This affects all areas of companies – from production, research and development, and human resources, to finance, sales and distribution, and marketing.

departments such as financial accounting and human resources. In other words, daily administrative tasks tie up resources and leave little time for innovation.

Out of company IT expenditure, an average of around 80 percent is spent on the operation of applications and technology. Conversely, this means that companies only allocate around 10 percent of their IT budgets to innovative projects. If companies fail to alter this, they will become less competitive. The way out of this problematic situation is obvious.



The success of a company depends on whether it is able to efficiently handle increasingly complex business processes. Today's company managers need to take account of and steer all business-relevant factors and the associated interactions. However, the rules and process models in place in companies are often not capable of handling the level of complexity now present in the world of business. Innovative IT solutions make this complexity transparent, and pinpoint where companies can simplify and improve their internal workflows.

Information technology driving innovation

Only very few companies have already exhausted the potential of IT to drive business processes. This comes as no surprise, as companies frequently use information technology only in the traditional way, i.e. to provide administrative support for workflows in internal

Companies need to reduce the cost of IT operation in order to free up the necessary funds for future-oriented investments. The first step here is to define and implement a revised IT strategy. As a second step, the necessary specialist knowledge needs to be obtained, before proceeding to the third step of procuring the necessary resources. "If you want to be fast and flexible, you need to collaborate with external partners," states the CIO of a telecommunications company. "It is often not possible to set up new processes and systems within a few months with your own resources alone."

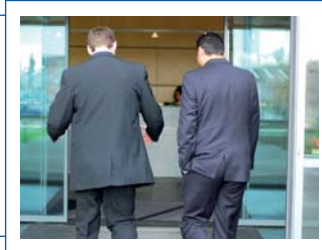
Flexibility and profitability

Small businesses, medium-sized companies, large corporations and public authorities have gradually added additional software applications to their IT in order to make their working processes more efficient in all areas, to incorporate new suppliers or to expand their business operations. Moreover, when companies

have been taken over or merged, the IT departments have had to combine existing, generally different IT systems. All this has given rise to complex and rigid system infrastructures that are extremely difficult for IT departments to manage.

As a result, companies have had to adapt their business processes to the workflows defined in software programs, rather than the other way round. On top of this, these ideal typical business process models are often not able to keep up with rapidly changing business

scribed and the resulting approaches from an early stage. In order to solve the dilemma regarding the increasing complexity of IT systems, a radical step needs to be taken. That is to say, a new concept for setting up and operating system environments is needed that assigns top priority to flexibility and openness. Such a concept already exists in the form of the service-oriented architecture (SOA). REALTECH has recognized this trend more clearly than many competitors, and invested in good time in the development of appropriate skills within the company.



requirements, as data-oriented applications can usually only be tailored to meet new challenges with substantial programming, installation and integration outlay – and this leads to yet a further increase in IT complexity.

REALTECH's solutions and consulting skills enable companies to make their business processes more flexible, and therefore adapt them to new requirements as and when necessary. Precisely this flexibility is set to be one of the key focuses of information technology over the next few years. At the same time, pressure on costs is constantly rising, and it has become more important than ever for IT departments to demonstrate that their services make good business sense. As a result, optimization and consolidation will remain right at the top of company IT agendas in coming years.

In view of the fact that REALTECH consultants maintain close and regular contact with their customers, it is perfectly clear how REALTECH has been able to deal with the difficulties de-

SOA – the concept for software harmony

Service-oriented architectures constitute a turning point in the history of information technology, marking a clear break from the rigid, data-centered system models of the past. This new system architecture enables companies to design their business processes more flexibly. In the future, the application will no longer dictate the limits of business processes. Instead, applications will help companies to optimize their business processes with respect to the current economic situation.

Put in simpler terms, a service-oriented architecture constitutes a broad framework in which independent, loosely connected software services can be created, managed and combined. Each of these services is available on its own, can be used again, and can be accessed via a standardized interface. IT developers can



combine individual services by mouse-click as they choose, and make these services available to users in the various departments of a company in line with requirements. This gives companies the opportunity to smoothly link their existing applications to new applications. The resulting software environments are completely flexible, and IT experts can adapt them to suit any possible change in no time at all.

In addition, the IT department's new-found freedom to act makes their task considerably easier. This is because, within SOAs, all software-supported processes are run on a standardized platform. As a result, IT managers can monitor and control various IT systems in a much more straightforward and effective manner than before, while system developers are able to integrate new users and processes quickly and easily.



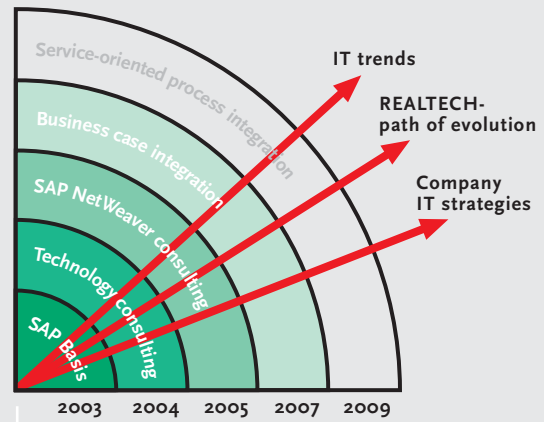
Accelerating the flow of information

Over the next few years, many companies will invest in SOA for business reasons, in order to avoid being at a disadvantage in the face of increasingly tough competition. After all, simplified data access further streamlines internal workflows, and makes decision-making processes both faster and more precise. This is because decision-makers can compile all important business data without the need for lengthy searches. In addition, SOA optimizes communication with customers, employees, partners and suppliers. Following mergers and takeovers, different systems and resources can be incorporated and implemented without the need for the substantial outlay usually required in the past, meaning that this type of transaction can contribute to company success faster than before.

Focus on business goals

SOA will transform the IT industry in the coming years. Experts, market research institutes and analysts all agree that the service-oriented architecture will establish itself on the market over the next few years. This rapid growth will no longer be driven solely by technical advantages, but primarily by business goals. This is the conclusion reached in a recent survey conducted by Zapthink, a renowned US IT consultancy. In order to be able to provide solutions for a particular operating problem, both companies and their service providers are increasingly turning to the SOA principle. "More and more SOA projects are clearly focusing on business goals," explains Zapthink analyst Jason Bloomberg. The typical customer now comes from the user department rather than from the technical department. Moreover, tried and tested SOA models are expected to soon become generally available, and to be viewed as standard components of IT projects.

On top of this, a further trend established by this survey is that companies are often using SOA concepts in order to better manage their enterprise-wide IT environment, as SOA facilitates integration tasks. The main players in the global IT industry have also made the service-oriented architecture an investment focus in the area of research and development – one example here being REALTECH’s partner SAP.



REALTECH – competent consulting services

Since being established in 1994, REALTECH has established a reputation as a capable consulting partner for companies from all industries and of all sizes. REALTECH sought a partnership with SAP AG early on, and the proximity of the two Walldorf-based companies gives REALTECH a valuable competitive edge in terms of expertise, something which consultants make use of in all projects for optimizing SAP systems. In this way, REALTECH sets itself apart from its competitors in the highly competitive consulting market.

In addition, REALTECH has made use of the customer proximity of its consulting specialists in the development of its software business area. Consultants’ expertise and experience are constantly incorporated into the development of theGuard! software. The various products monitor IT systems largely automatically, identify possible sources of error early on, and

automatically provide IT managers with suggestions as to how weak spots can be remedied quickly and efficiently. As a result, companies can benefit from reliable IT systems with minimum downtime.

As a consultant for SAP system environments, REALTECH remains a reliable and competent partner for customers with regard to IT optimization, consolidation and operation. Numerous specialists support customers in rationalizing their IT processes and structures in order to achieve tangible, permanent savings in computer center operation. In the context of consolidation consulting, REALTECH helps companies to establish simple and homogeneous system infrastructures with consistent business processes.

In the consulting business, REALTECH has added business process integration as a third focus to supplement its initial focuses of IT optimization and consolidation. This new focus covers consulting services for new Web technologies that make existing applications



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future-compliant. The solutions in the SAP NetWeaver product range have been at the heart of this expansion right from the start. REALTECH provides customers with extensive expertise in all issues relating to SAP NetWeaver projects – from operational use through to strategy consulting. The company's consultants pinpoint ways of using the new options offered by SAP NetWeaver to structure specific parts of business processes in a more accurate, straightforward, flexible and cost-effective manner than with existing technologies.

way for users to implement sound economic strategies with regard to their existing system. The ESOA application provides business components to supplement the model of independent services over the Internet. The advantage for companies is clear, namely that they can control the entire innovation and standardization cycle within a single environment.

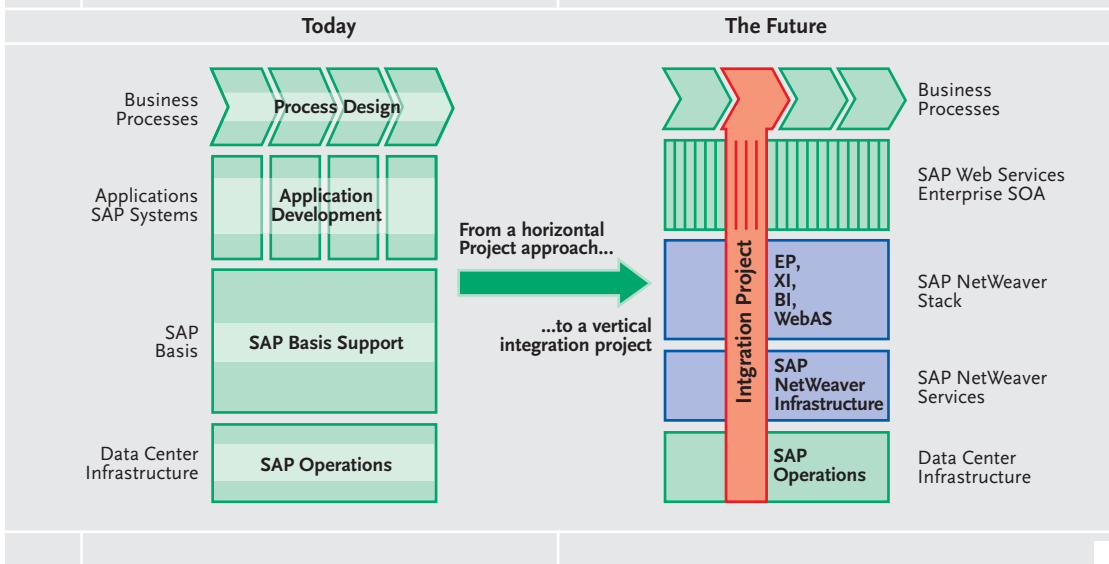
The core product in the ESOA strategy is SAP NetWeaver – a platform that primarily revolves around integration, connecting processes and IT systems across all boundaries. Using this



SAP NetWeaver – the foundation for flexible processes

SAP AG, the largest supplier of enterprise software worldwide, has developed its own SOA solution in the form of the Enterprise Service-Oriented Architecture (Enterprise SOA, or ESOA). SAP's SOA approach is paving the

platform, companies can implement an integrated IT strategy, rather than having numerous individual technical processes running independently of one another. With the implementation of a service-oriented architecture, SAP NetWeaver will in future provide standardized, yet individualized IT support for business



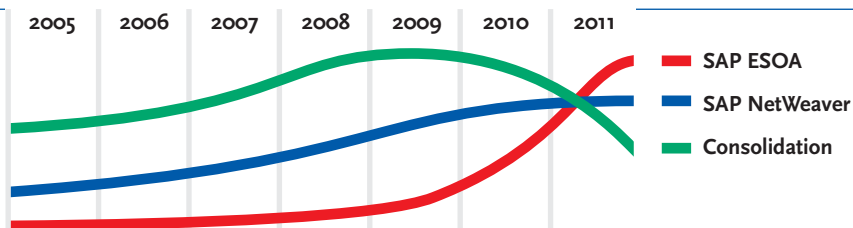
processes. It is becoming increasingly important to be flexible and to adjust rapidly to changing processes. However, this is not always possible in the old SAP environment. A service-oriented architecture promises fundamental improvement here. SAP NetWeaver lays the technical foundations for opening up existing application systems and making them more flexible.

SAP has the best chance of opening up the advantages of the SOA concept to end users. The Walldorf-based group offers a wide range

component, as SAP NetWeaver has made SAP a platform supplier. As a result, consulting skills will be particularly in demand when it comes to the interaction between software services, core technologies and business processes.

SAP Special Expertise Partner

With regard to NetWeaver projects, SAP is primarily concentrating on collaboration with its Premium partners, which are characterized by their particular expertise and practical ex-



of business and industry applications. If companies flexibly combine these solutions using a service-oriented architecture, market observers anticipate that SAP will be able to create a unique selling proposition and offer additional customer benefits.

REALTECH has intensively tracked the development of SAP NetWeaver, has adapted its consulting portfolio to this integration platform at an early stage, and has purposefully invested in appropriate education and further training for its employees to prepare them for the age of ESOA. As a result, the company has been available to provide customers with numerous consulting services relating to SAP NetWeaver since 2005. With the opportunities and prospects it offers, this integration platform is particularly important for consulting companies that focus on SAP consulting. This is because changing over to SAP NetWeaver is intended to help companies deal with outstanding issues, and is thus generating a growing need for consulting services. In the future, all SAP projects will have a considerable technological

experience. As an SAP Special Expertise Partner, REALTECH AG is a member of this exclusive group. SAP's ESOA projects are making it necessary for consultants to obtain entirely new qualifications, and the fundamental change in information technology is changing the way consultants define themselves. In the future, they will act less as engineers and more as consultants, and IT specialists will not be able to avoid having to deal with business processes. This means that good consultants will be distinguished by their basic technological knowledge, while at the same time being able to understand business processes.

SOA creates new prospects for the IT consulting market

The service-oriented architecture has got what it takes to make a lasting impression on the development of information technology in the 21st century. This is connected with huge growth opportunities for the industry. Market

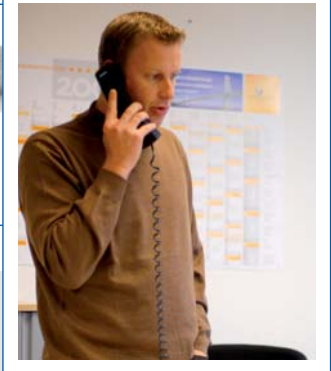


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research company IDC predicts that the entire SOA market, including software, services and hardware, will expand to USD 21 billion by the end of 2007. Out of this total, companies are expected to spend around USD 8.6 billion in 2007 worldwide just on SOA-based external services. Compared to the figure of USD 3.6 billion in 2006, this constitutes an increase of 138 percent. According to IDC analysts, companies switching to a service-oriented architecture will particularly require support from external service providers in the areas of consulting and system integration. What's

From technology specialist to strategic consulting partner

According to experts, service providers are set to particularly benefit from the rising demand for project consulting, provided that they understand both company business strategies and SAP technology. Over the past few years, REALTECH has increased its investment in precisely these skills. The company has transformed itself from an SAP technology specialist into a strategic consulting partner for business-critical IT projects, but without



more, if other forecasts by experts are accurate, the market is set to reach a volume of USD 33.8 billion in four years' time.

In view of this situation, the change to a new SAP environment is becoming increasingly important. This development is extremely positive for REALTECH, as a knowledge of the new SAP NetWeaver platform was established within the company early on. For example, the REALTECH consultants can show their customers to what extent their organizations and corporate workflows are compatible with SAP NetWeaver, and also how SAP NetWeaver can be used to permanently optimize technical processes. REALTECH has strategically positioned itself so as to offer its customers end-to-end consulting services, from technology through to business processes.

forgetting its roots. In this way, REALTECH is able to provide its customers with highly competent support as they embark upon the new, flexible age of information technology.

All of this makes it clear that REALTECH is in a prime position to benefit from the forthcoming changes on the IT and SAP consulting market.