



Annual Report |

2006



Management Report



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Bridge over the Sylvenstein Reservoir,
Bavaria, Germany.

Taking the direct route

TAKING THE DIRECT ROUTE

**The Bridge to the future
is via technology.**

Gotthard Günther,
German philosopher and logician

Management Report

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



FINANCIAL SITUATION

Group business development

The REALTECH Group increased its revenue in fiscal year 2006 by 9 percent (previous year: 6 percent) from EUR 50,047 thousand to EUR 54,380 thousand. Both business areas played a role here: Consulting revenue increased 8 percent (previous year: 7 percent) from EUR 39,773 thousand to EUR 42,948 thousand, meaning that the consulting segment brought in 79 percent (previous year: 80 percent) of Group revenue. Revenue from software developed by the company, in the form of licenses, maintenance and supplementary services, rose 11 percent (previous year: 5 percent) from

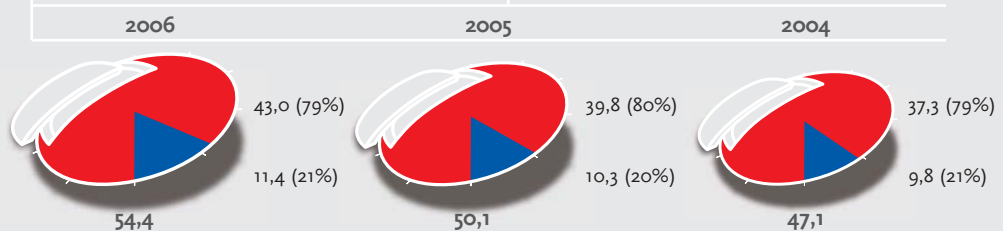
EUR 10,274 thousand to EUR 11,432 thousand. In fiscal year 2006, it was again the fourth quarter of the year, with a figure of EUR 3,766 thousand (previous year: EUR 3,059 thousand), that recorded the highest revenue.

Production costs increased in the year under review by 4 percent from EUR 30,972 thousand to EUR 32,350 thousand. Based on revenue, the figure fell from 62 percent to 60 percent.

This resulted in an increase in gross profit on revenue from EUR 19,075 thousand to EUR 22,030 thousand, or by 16 percent. In relation to revenue, this figure increased from 38 percent to 41 percent.

Revenues by segments
(millions EUR)

- Consulting
- Software





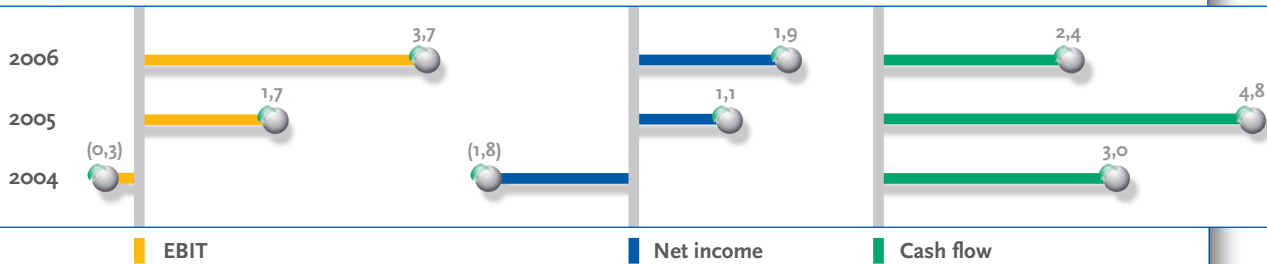
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Selling expenses were up 19 percent from EUR 6,087 thousand to EUR 7,246 thousand, representing 13 percent of revenue as opposed to 12 percent the previous year.

Administrative costs only changed slightly, increasing from EUR 6,975 thousand the previous year to EUR 7,039 thousand in the year under review. At the same time, these expenses fell from 14 percent to 13 percent as a proportion of revenue.

Net interest increased from EUR 380 thousand to EUR 457 thousand as a result of rising interest rates and an expanded basis. Earnings from financial investments and securities dropped from EUR 132 thousand to EUR 103 thousand. This figure concerns in particular income from selling securities. Mainly as a result of the values of the Japanese yen and US dollar falling compared to the euro, a currency translation loss of EUR 91 thousand was recorded in 2006, as opposed to a currency translation gain of EUR 77 thousand the year before.

Income Situation and cash flow (millions EUR)



Costs in the area of research and development were reduced by 10 percent to EUR 4,593 thousand (previous year: EUR 5,077 thousand). As a proportion of revenue, these expenses therefore fell from 10 percent to 8 percent.

The situation described is reflected in EBIT, which again saw a substantial improvement, climbing 121 percent from EUR 1,688 thousand to EUR 3,731 thousand. The EBIT margin increased from 3 percent to 7 percent, while EBITDA (earnings before interest, taxes, depreciation and amortization) rose by 63 percent from EUR 3,120 thousand to EUR 5,094 thousand. One of the main factors to which this development can be attributed is the great improvement in earnings in the software segment, which has made a positive contribution to earnings for the first time since being established. One thing that is particularly worth mentioning is that this was achieved not only for the year as a whole, but also in every single quarter of 2006.

Income taxes amounted to EUR 2,180 thousand, up from EUR 1,219 thousand in 2005. This includes EUR 1,745 thousand (previous year: EUR 900 thousand) of actual tax expense and EUR 435 thousand (previous year: EUR 319 thousand) of deferred tax expense.

Net income improved 71 percent from EUR 1,110 thousand to EUR 1,902 thousand. Based on the basic number of 5,173,452 shares on the end-year key date, this amounts to earnings per share of EUR 0.37 (previous year: EUR 0.22 at 5,092,452 shares).

Business development in the various regions

Each of the four REALTECH regions was able to increase revenue in fiscal year 2006. Revenues recorded in Germany increased 7 percent year on year (previous year: 2 percent) from EUR 21,653 thousand to EUR 23,079 thousand, falling slightly from 43 percent to 42 percent as a proportion of Group revenue. Revenues recorded in other countries amounted to EUR 31,301 thousand, therefore representing 58

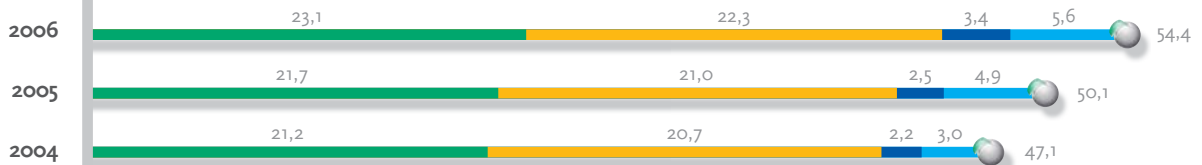
percent of total revenue compared to 57 percent the year before (EUR 28,394 thousand). This 10 percent increase (previous year: 10 percent) can be equally attributed to the regions of Europe excluding Germany, the US and Asia-Pacific.

The region of Europe excluding Germany recorded a 6 percent increase in revenue from EUR 21,058 thousand to EUR 22,263 thousand, a development that is based on a 20 percent revenue increase in Spain combined with unchanging revenues in Italy and Portugal. The

a par with the previous year. As a result of the situation described, the German REALTECH companies recorded a 64 percent increase in EBIT.

A very clear improvement was seen in the earnings situation of the companies in the European region excluding Germany, where EBIT was increased by almost 90 percent. The REALTECH companies in Italy and Spain are in particular to thank for this. A 25 percent increase was recorded by the US region. However, the greatest leap in terms of profitability

Revenues by regions (millions EUR)



Germany Rest of Europe USA Asia Pacific

proportion of total revenue accounted for by Europe excluding Germany fell from 42 percent to 41 percent. In the US region, revenue rose considerably, by 37 percent from EUR 2,483 thousand to EUR 3,389 thousand, meaning that its contribution to Group revenue increased from 5 percent to 6 percent. A 16 percent increase from EUR 4,853 thousand to EUR 5,649 thousand was recorded in the Asia-Pacific region. As in the previous year, Asia-Pacific contributed 10 percent of Group revenue.

Profit development was also positive for each individual region. In Germany, gross profit increased 12 percent, meaning that it increased disproportionately in relation to revenue. This included an 8 percent increase in the gross profit margin in the consulting segment and a 16 percent increase in this figure in the software segment. In the area of research and development, expenses were reduced by 10 percent over the past fiscal year, whereas costs in sales and distribution rose 25 percent. Administrative costs remained pretty much on

was achieved by the Asia-Pacific region, with substantial increases being recorded by the companies in New Zealand, Japan and Singapore. The greatest improvement of all was achieved by REALTECH New Zealand, where a negative contribution to profits in 2005 was succeeded by a positive contribution.

Appropriation of net profits

REALTECH AG's annual financial statements form the basis for a resolution to be passed during the General Meeting on the appropriation of earnings. The net profit recorded by REALTECH AG in the year under review amounted to EUR 3,177 thousand, following on from EUR 1,050 thousand in 2005. This increase is essentially due to the higher transfer of profits compared to the previous year, as well as to the investment income achieved. At the General Meeting, REALTECH AG's Executive and Supervisory Boards will propose the distribution of a dividend of EUR 0.50 per



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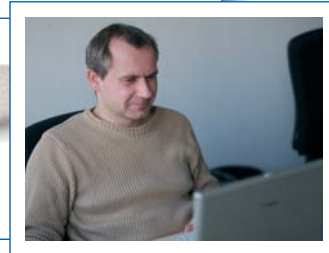
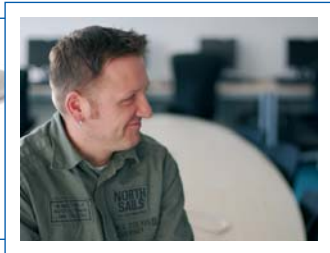
share for fiscal year 2006 from the company's net profit. The two committees made this decision on February 14, 2007. The General Meeting is scheduled to be held in Wiesloch on May 22, 2007.

Investment and financing

The REALTECH Group's cash flow from operating activities decreased in the year under review, amounting to EUR 2,413 thousand following a figure of EUR 4,818 thousand in 2005. This development can essentially be

Balance sheet structure

Compared to the previous year, total assets increased by 6 percent from EUR 57,310 thousand to EUR 60,937 thousand. The main reason for this was the increase in receivables on December 31, 2006 compared to the end of the previous year. The equity ratio fell slightly from 76.3 percent to 75.7 percent. The equity capitalization forms a sound basis for realizing further growth potential.



attributed to the disproportionate increase in trade receivables from the end of 2005 to the end of 2006.

Cash flow from investments in 2006 amounted to EUR 814 thousand, having been EUR 1,941 thousand the year before. With an increase in net cash and cash equivalents, this reduction was particularly caused by restructuring interest-bearing securities between the two key dates.

Cash flow from financing activities increased from EUR 172 thousand to EUR 270 thousand, a development that can be attributed in particular to the conversion and the associated increase in the number of shares.

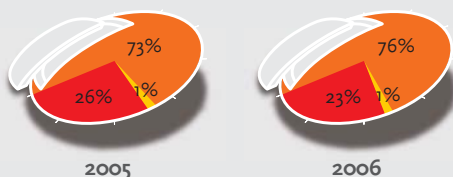
On the balance sheet date, the REALTECH Group had net cash and cash equivalents of EUR 27,997 thousand (previous year: EUR 25,948 thousand).

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

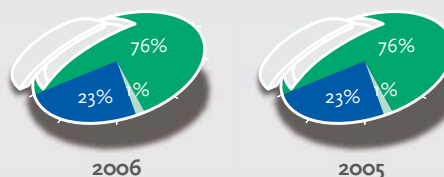
RESEARCH AND DEVELOPMENT

The software suite developed by REALTECH, theGuard!, provides customers with a complete solution for automated monitoring and efficient operation of IT infrastructures. This solution is made up of several components,

Assets



Shareholders' equity and liabilities



■ Fixed assets ■ Current assets ■ Other ■ Shareholders' equity ■ Current liabilities ■ Other

Consolidated balance sheets breakdown (end of year)

which communicate with one another via shared interfaces – creating synergy effects that generate added value for the customer.

REALTECH's software business benefits from the fact that experience gained in the Consulting division is incorporated into product development. As a result of this, the various functions provided by theGuard! are aligned very closely to actual customer requirements.

Cost reduction

Research and development costs in fiscal year 2006 reached a value of EUR 4,593 thousand, which is EUR 484 thousand, or 10 percent, less than the year before. As a proportion of revenue, these expenses therefore fell from 10 percent to 8 percent. On December 31, 2006, the Group had 57 employees working in research and development at its Walldorf and Schweitenkirchen sites (previous year: 58 employees).



Three business units

In 2006, REALTECH divided its software product area into three business units:

Application Management, responsible for theGuard! ApplicationManager

IT Service Management, responsible for theGuard! NetworkManager and theGuard! ServiceCenter

Special SAP Solutions, responsible for TransportManager and InterfaceManager.

This new organization enables the company to meet increased customer requirements much more efficiently than before. A professionally oriented sales and distribution department, as well as specific services tailored to the customer situation concerned, also help here.

Expansion and modernization

Research and development funds in 2006 were primarily directed towards the expansion and modernization of existing products, the aim being to create new product versions with innovative user interfaces and a new internal architecture in order to make individual solutions more useful and user friendly. The company's products can now be adapted even more flexibly to meet customer needs, and are a great deal easier for end users to work with.

theGuard! ApplicationManager enables customers to constantly monitor business applications, databases, Web servers, mail servers and operating systems with a high degree of efficiency, and to analyze the overall performance of their IT systems. One thing that is new is that this solution now supports monitoring of the Sun Solaris 10 x86 operating system platform, with processors from alternative manufacturers such as AMD, for all applications and databases. On top of this, theGuard!



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is able to simulate typical user actions in SAP systems, making it more straightforward for companies to also check the performance of their IT system under load. With regard to SAP ESA (Enterprise Service Architecture), theGuard! ApplicationManager is able to determine sources of error more quickly and easily. Increased key performance indicator requirements concerning quality in IT operation have been accommodated through the introduction of new quality reports.

Positive contribution to earnings with an upwards trend

REALTECH anticipates that the software business area will make a positive contribution towards the company's net income again in 2007, with an upwards trend. The main focus in the area of research and development in 2007 will be on developing more automated and secure solutions to meet the increased requirements relating to infrastructure and application operation. At the same time, the company plans to get its own product range



The further development of theGuard! NetworkManager and theGuard! ServiceCenter primarily revolved around the internationally recognized ITIL operation management standard (Information Technology Infrastructure Library). Thanks to a new module, equipment can now be installed and configured in a network in a more targeted manner than previously, thus greatly improving IT security. Used in conjunction with a database for configuration management (CMDB: Configuration Management Database), this product constitutes one of the first comprehensive ITIL software solutions on the market.

In the field of special SAP solutions, REALTECH introduced a new version of its TransportManager, Version 5.0, in 2006. This software now provides an even higher level of security and flexibility for updating SAP systems. As a result, TransportManager has reinforced its status as a solution that offers customers clear added value in comparison to the standard SAP system.

in shape for the future, using new technologies such as Microsoft.net and Web 2.0.

RISK REPORT

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

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

Risk management

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

REALTECH's early warning system is an element of its strategic planning – the formulation of quantitative targets. Management recognizes deviations from specifications by means of strategic analysis, as well as during annual

General economic risks

Leading economic research institutes anticipate that 2007 will be the fifth year running in which the global economy expands faster than the long-term average, and that the global economy will move towards a new balance with high growth rates. In view of its financial stability, profitability, proximity to customers, strategic orientation, and the wide range of measures taken to detect and deal with potential risks, REALTECH is confident of achieving all projected targets in spite of the risks de-



actual forecasts and projections. The system is based on monthly revenues, costs and earnings reports, which are supplemented by quarterly reports published with regard to operating assets. Financial control measures are used to determine and analyze deviations on the basis of the early warning and reporting systems. This provides the company with decision-making aids for potential corrective action. REALTECH deals with possible management risks by means of internal reporting with detailed forecasting and control processes.

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

scribed. Nevertheless, a substantial worsening of the general economic conditions could have a detrimental effect on REALTECH's revenue and income.

Industry risks

Following on from a good IT year in 2006, leading analysts are not quite so optimistic about 2007. At the same time, the IT sector is undergoing a phase of consolidation, based on numerous acquisitions and mergers. This could give rise to negative effects upon REALTECH's expected business results. In order to be successful, REALTECH needs to recognize relevant trends at an early stage and respond to them.

Concentrating on products from SAP AG makes REALTECH largely dependent on the market acceptance of this partner. REALTECH anticipates that the market for SAP solutions will continue to grow. In addition, SAP records a substantial proportion of its sales revenues from its large regular customer base. Should



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existing SAP customers decide against extending their maintenance contracts, or decide not to sign any new license contracts for further products, this could have a significant influence on the revenues and income of REALTECH. However, in view of the extremely sound growth recorded by SAP in business with existing customers in recent years, this seems unlikely.

REALTECH's forecasts are based on the assumption that demand for system management products will continue to increase at the

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

One core part of the SAP strategy entails ensuring that the SAP NetWeaver technology and business process platform achieves a



pace predicted by industry analysts. When it comes to developing its solutions, moreover, REALTECH pays great attention to customer requirements, hoping to maximize market acceptance. However, the company is not in a position to guarantee that this acceptance will also remain constant in the future. In particular, the fact that competitive pressure is constantly increasing – amongst other things due to takeovers and the associated market concentration – may have the result that REALTECH products do not obtain the desired market access.

Operative risks

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

breakthrough on the market. This is an area of ever-increasing importance for REALTECH, in which the company regularly invests. If SAP NetWeaver fails to make the aspired breakthrough, this would obviously affect the sales revenues and earnings of REALTECH.

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

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

in the economic situation could have a detrimental effect on the Group's revenue and income.

Personnel risks

It is REALTECH's highly qualified employees who enable the company to provide and market its services, develop and market its products, and successfully manage its business processes. In the event that a large number choose to leave REALTECH and no suitable replacement can be found, this may have a

Communication and information risks

REALTECH has implemented a range of measures aiming to counteract the risk that internal, confidential announcements and information regarding highly sensitive topics, for instance regarding business figures, future strategies, technologies and products, might be passed on to the general public incorrectly or too early. These measures include binding enterprise-wide guidelines on external communication, as well as IT precautions to prevent confidential internal communication content from



detrimental effect on REALTECH's business. With the exception of selected executives, the employment contracts of most REALTECH employees currently contain no competition clause for the event that the employees terminate their working relationship. Therefore, in view of the fact that competition for highly qualified people in the IT sectors has become stronger again, it is not possible to guarantee that REALTECH will be able to retain its most important performers in the long term. Nevertheless, the employee fluctuation rate has been relatively low, especially over the past two years. For this reason, REALTECH estimates the risk of suffering any real impairment to its business development as a result of losing managers and employees to be low at present.

The company anticipates that it will continue to be able to adequately meet its requirement for specialists and executive managers in the relevant job markets. Should the company prove unable to do this, this could have a negative impact on business development.

being forwarded via external communication networks. Based on these measures, REALTECH considers it unlikely that the aforementioned risk will take effect. Despite this, there is no guarantee that the protective mechanisms introduced will be successful in every single case.

Financial risks

Since January 1, 1999, the euro has been REALTECH's balance sheet and Group currency. The company trades predominantly in the euro zone, and is therefore only exposed to marginal risks from exchange rate fluctuations. REALTECH continually monitors potential currency fluctuation risks on the basis of balance sheet items and expected cash flows, and deals with these risks by means of targeted exchange rate management. Other financial risks are averted by a credit management system, as well as by stringent receivables management and checks on creditworthiness.

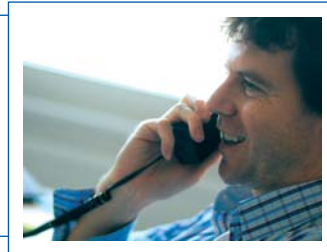


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Insurance risks

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

whereby REALTECH's main aim is to specifically extend its product portfolio. The risks typical of such transactions include problems in integrating the acquired company and the technologies or products concerned into existing technologies and products, a possible interruption to ongoing business activity, problems in obtaining important specialists and executives, the unwitting adoption of essential obligations of the acquired company, and possible negative effects on relationships with partner companies or customers.



Other risks

Risks also result from rules and laws relating to tax, competition, and patents. In order to counteract such risks, REALTECH bases decisions and the design of business processes on extensive legal consulting both by its own experts and by proven external experts. Although REALTECH essentially protects its rights, software, and intellectual property through copyright and trademarks, the company cannot entirely eliminate the possibility of its products being copied or existing rights being misused.

New laws or changed jurisprudence may give rise to legal rules that also affect past issues.

In order to expand its business, REALTECH has in the past purchased not only companies, but also products and technologies. Such acquisitions are also planned for the future,

REALTECH combats these risks with a wide range of measures, ranging from a comprehensive technical, financial, tax-related and legal due diligence verification of the acquisition object and end-to-end risk assessment to establish essential transaction and integration risks, through to detailed integration planning and implementation by special integration teams. As REALTECH has acquired only a relatively small number of companies up to now, the risks described above appear controllable, and it is unlikely that they will trigger any significant negative influence on the company's expected earnings.

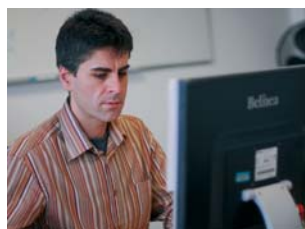
No developments can currently be observed which may endanger the company's continued existence or have a substantial detrimental effect on the company's net assets, financial position, and results of operations. An overall assessment of risks and the risk management system used have shown that only a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

**DISCLOSURES AS PER SECTION 315,
PARAGRAPH 4 OF THE GERMAN
COMMERCIAL CODE**

As a result of new legislation, the company is required for the first time to provide disclosures in accordance with the catalog in Section 315, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB) for the past fiscal year (2006). To meet this requirement, the company is providing the following information:

The powers of the Executive Board with regard to issuing or buying back shares are as follows (further details are defined in Section 4 of the Articles of Association):

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions up until May 1, 2009 by issuing new shares against cash or non-cash contributions by a total of up to EUR 3,233,707.02.



Share capital is made up as follows: The company's share capital amounts to EUR 6,570,284.04, and is split into 5,173,452 no-par value shares. The shares are in the name of the holder.

The proportions of capital held by Mr. Daniele Di Croce, Mr. Rainer Schmidt and Mr. Peter Stier each exceed 10 percent of voting rights.

The members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 of the Stock Corporation Act (Aktiengesetz, AktG) and Section 5.2 of the Articles of Association. In accordance with Section 179, paragraph 1 of the Stock Corporation Act, every change to the Articles of Association requires a decision to be made at the Annual General Meeting. The authority to make changes that only concern wording can be transferred by the Annual General Meeting to the Supervisory Board. This authority is granted to the Supervisory Board in Section 10.2 of the Articles of Association.

The company's share capital has been conditionally increased by a further EUR 571,500.00, divided into 450,000 no-par value shares in the name of the holders (contingently issuable shares II). This second conditional capital increase has the purpose of issuing stock options on company common stock free of charge to employees, managers, the employees of associates and new members of the company's Executive Board, in accordance with the decision of the Annual General Meeting on May 22, 2000. This conditional capital increase will only be implemented to the extent that those authorized make use of their options.

The company's share capital has been conditionally increased by up to EUR 2,598,707.02 by issuing up to 2,046,226.00 new no-par value shares. This conditional capital increase will only be implemented to the extent to which the holders of bonds that the Executive and Supervisory Boards were authorized to issue up to May 15, 2007, based on a decision reached by the Annual General Meeting on

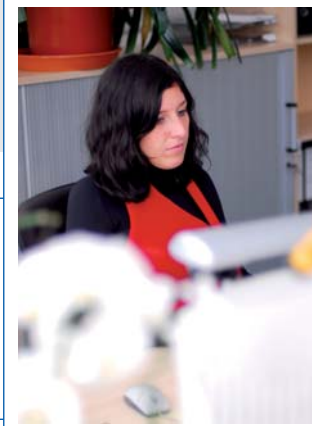
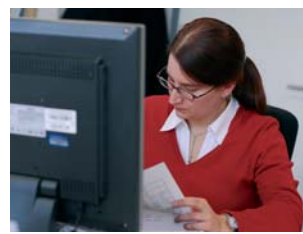


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May 16, 2002, make use of conversion rights/ obligations or options.

As of the end of the day of the General Meeting on May 16, 2006, in accordance with Section 71, paragraph 1, no. 8 of the Stock Corporation Act, the company was authorized to purchase treasury shares amounting to up to 10 percent of share capital (EUR 6,467,414.04 at this point in time) up until November 15, 2007 for purposes other than trading in treasury shares. The shares purchased, together with other treasury shares held by the company or

held by the company or attributable to the company as per Section 71a ff. of the Stock Corporation Act, must at no time amount to more than 10 percent of share capital.



OUTLOOK

Fiscal year 2006 has been one of the most successful in the history of REALTECH AG, with revenue increasing by 9 percent and EBIT by an impressive 121 percent. The software business segment made a significant positive contribution towards income. One thing that is particularly pleasing is that this division recorded a profit in each of the four quarters of 2006. These excellent developments clearly show that REALTECH took the correct decision in implementing the business area restructuring measures initiated in 2004.

At the same time, REALTECH succeeded decisively in 2006 in establishing itself as a consulting specialist for strategically important business processes and projects. Whereas REALTECH AG used to be viewed as a pure technology consultancy for SAP systems, the company has now for several years additionally made a name for itself in business process consulting in connection with SAP applications. REALTECH continues to support its

customers as before in IT optimization, consolidation and operation. However, REALTECH has now also extended its consulting portfolio to cover operational company processes, therefore tapping another attractive market with high economic potential.

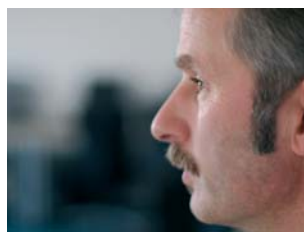
Leading solution supplier in process consulting

With this combination of SAP technology skills and expertise in the process consulting business, REALTECH sets itself apart from the competition. As a result, the company is also a leading solution supplier for demanding SAP products and systems on an international scale, an exceptional position that SAP AG has confirmed by including REALTECH in several exclusive partner programs. The company intends to expand upon this unique selling proposition in the years to come, while placing a clear emphasis on modern SAP environments. This is precisely one of the market

segments in which analysts anticipate a substantial rise in the demand for consulting services.

The reason for this development is a fundamental change in information technology, turning away from rigid system structures and towards the flexibility offered by service-oriented architectures (SOAs). All experts have now reached the conclusion that the future of application infrastructures lies in this concept. It was in view of this that SAP AG designed its SAP NetWeaver integration platform,

companies fit in with REALTECH in terms of the subject areas they cover, their technical level and their internal philosophy. Their areas of expertise should overlap those of the company itself as little as possible. In this way, REALTECH intends to cover a broader range of consulting areas and open itself up even more to the market. Expertise in business-oriented subject areas, which up to now has primarily concentrated on SAP, will be extended to other suppliers, as well as to partners of SAP such as IBM and Microsoft.



a product that has already changed, and will continue to change, the market for consulting services. More and more large corporations and medium-sized companies are launching projects with the aim of implementing an SOA strategy. In this process, the companies are greatly reliant on external expertise.

Faster growth than the market as a whole

In the area of consulting, REALTECH has set itself the goal of achieving a higher growth rate in 2007 than the market as a whole. In particular, the Walldorf-based IT service provider intends to consistently continue concentrating on more demanding issues that require intensive consulting services, a focus that was introduced in 2005. At the same time, REALTECH aspires to achieve inorganic growth, spurred on by partnerships and acquisitions that expand REALTECH's range of services and solutions. The key criterion here is that

The software business will continue to focus on five products, which in turn revolve around the requirements of new SOA-based architectures and thus make a substantial contribution towards operating such systems efficiently and reliably. theGuard! ApplicationManager safeguards the availability and performance of business-critical applications. theGuard! NetworkManager is used to visualize, monitor and control heterogeneous networks and systems. theGuard! ServiceCenter supports all ITIL-compliant (Information Technology Infrastructure Library) service and support processes. TransportManager regulates and monitors the distribution of SAP application changes. InterfaceManager integrates external applications quickly and easily into SAP systems.

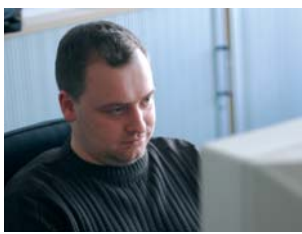


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Increased customer orientation thanks to business units

The model of business units for individual products, introduced in 2006, has proved highly successful. This business unit model promotes customer orientation in that employees identify themselves even more than before with the product, the business unit and the associated customer requirements. This new method of collaboration is boosting efficiency and productivity throughout the entire company.

market. Investments will be made in order to continue the positive trend seen in 2006. In Spain, REALTECH aims to expand upon its leading market position in SAP technology consulting. In Italy, following the turnaround in 2005 and consolidation in 2006, REALTECH hopes to further increase revenue. REALTECH also anticipates maintaining stable growth in the Asia-Pacific region. To this end, the company opened a new business office in the Japanese city of Osaka at the end of 2006.



The model provides a good starting point for REALTECH to set new market trends within its existing product range. Above all, the company benefits here from the customer proximity of its experts in the various areas, who intensively and constantly swap ideas and experience with the research and development division. In this way, the range of software products offered can be expanded rapidly in line with customer needs when new developments emerge on the market or at the customer end. Bearing all this in mind, REALTECH aims to achieve a revenue growth rate in the software segment of between 12 and 15 percent, while maintaining stable costs. The EBIT margin, which was positive for the first time in 2006, is expected to be further improved.

Concentration on core countries

In 2007, REALTECH intends to concentrate on the markets in Germany, Italy, Spain and the US. In the US in particular, the company aims to achieve rapid growth in line with the

The REALTECH Group has begun fiscal year 2007 with clear goals, aiming to achieve a high one-digit growth rate in terms of revenue and to increase EBIT by between 10 and 15 percent. In addition, REALTECH aspires to grow faster than the market as a whole in the consulting sector. REALTECH has already laid the foundations for meeting these goals, as the company underwent a clear transformation in 2005 and 2006, and has tactically expanded its range of services. REALTECH intends to proceed along the road it has mapped out.