

2007

a serverroom competence



a REALTECH-production

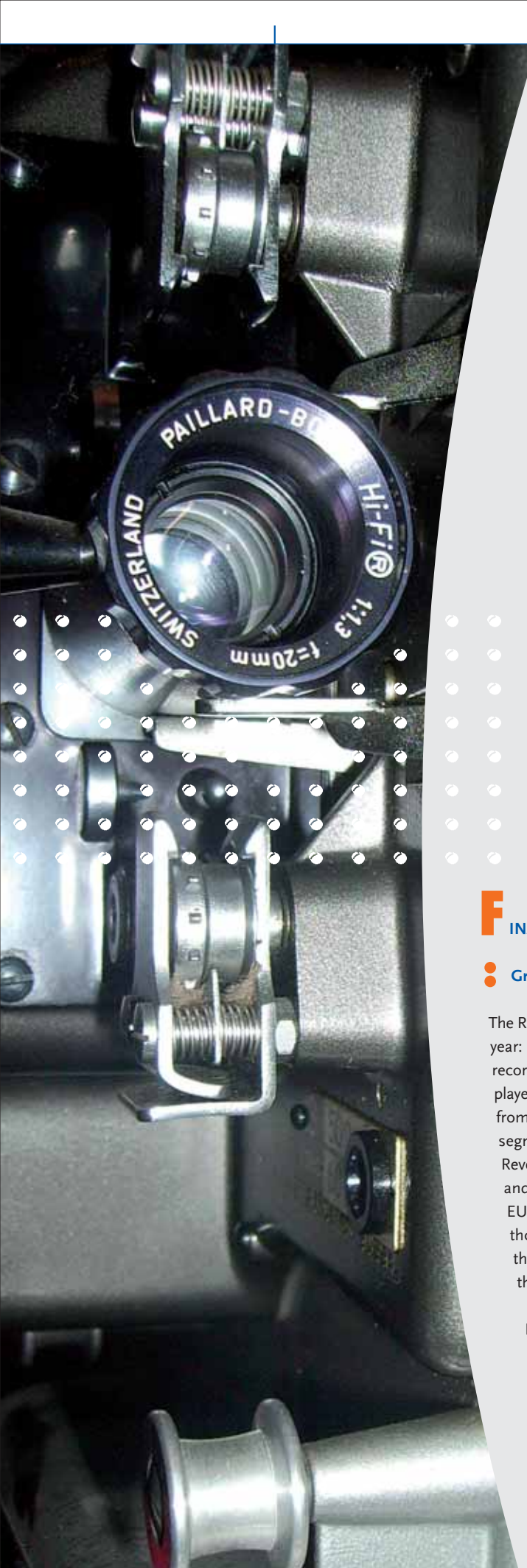


RTC : 27.06.07

Management Report



EBIT increased by 77 percent from EUR 3,731 thousand to EUR 6,610 thousand in 2007, while the EBIT margin increased from 7 percent to 10 percent. EBITDA improved by 49 percent from EUR 5,094 thousand to EUR 7,600 thousand. This very pleasing development in important key figures can be attributed to the fact that both segments contributed towards earnings independently of one another.



● Management Report

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

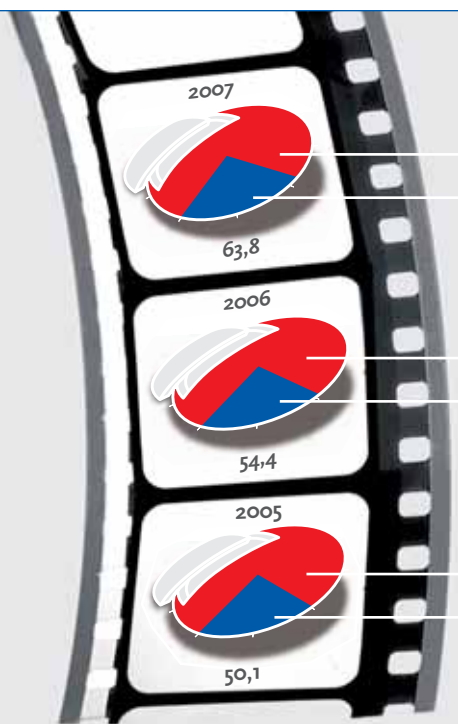
F INANCIAL SITUATION

● Group business development

The REALTECH Group increased its revenue by 17 percent in fiscal year 2007 (previous year: 9 percent) from EUR 54,380 thousand to EUR 63,752 thousand, therefore recording the highest figure since the company was founded. Both business areas played a role here: Consulting revenue increased 16 percent (previous year: 8 percent) from EUR 42,948 thousand to EUR 49,801 thousand, meaning that the consulting segment brought in 78 percent (previous year: 79 percent) of Group revenue. Revenue from in-house software development, in the form of licenses, maintenance and supplementary services, rose 22 percent (previous year: 11 percent) from EUR 11,432 thousand to EUR 13,951 thousand. With revenues of EUR 13,573 thousand (previous year EUR 11,934 thousand) in consulting and EUR 4,507 thousand (previous year: EUR 3,766 thousand) in the case of software, each of the two segments recorded a record revenue level in the fourth quarter of 2007.

Production costs increased in the year under review by 19 percent from EUR 32,350 thousand to EUR 38,609 thousand. Based on revenue, the figure rose slightly from 60 percent to 61 percent.

This resulted in an increase in gross profit on revenue from EUR 22,030 thousand to EUR 25,143 thousand, or by 14 percent. Relative to revenue, the figure fell from 41 percent to 39 percent.



Revenues by segments (millions EUR)

Consulting ■
Software ■



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Selling expenses increased by 11 percent from EUR 7,246 thousand to EUR 8,013 thousand, thus representing 13 percent of revenue as in the previous year.

The company succeeded in reducing administrative costs by 4 percent from EUR 7,039 thousand in the previous year to EUR 6,763 thousand. At the same time, these expenses fell from 13 percent to 11 percent as a proportion of revenue.

Costs in the area of research and development, at EUR 4,557 thousand, remained on a par with the figure for the previous year (EUR 4,593 thousand). As a percentage of revenue, this expenditure decreased from 8 percent to 7 percent.

EBIT (earnings before interest and taxes) increased by 77 percent from EUR 3,731 thousand to EUR 6,610 thousand in 2007, while the EBIT margin increased from 7 percent to 10 percent. EBITDA (earnings before interest, taxes, depreciation and amortization) improved by 49 percent from EUR 5,094 thousand to EUR 7,600 thousand. This very pleasing development in important key figures can be attributed to the fact that both segments contributed towards earnings independently of one another. Consulting recorded an income from operations of EUR 3,298 thousand (previous year: EUR 1,770 thousand), while the software segment, at EUR 2,511 thousand (previous year: EUR 1,381 thousand), recorded a positive income from operations for the second time, following on from the positive figure in 2006.

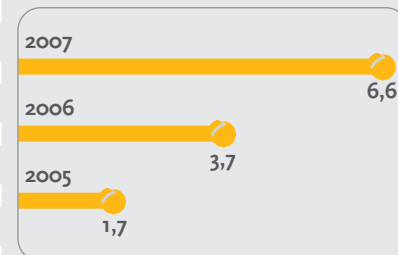
Net interest increased from EUR 457 thousand to EUR 651 thousand as a result of rising interest rates. Earnings from financial investments and securities dropped from EUR 103 thousand to EUR 51 thousand. This figure concerns in particular income from selling securities. Mainly as a result of the values of the Japanese yen and US dollar falling compared to the euro, a currency translation loss of EUR 99 thousand was recorded in 2007 (previous year: EUR 91 thousand).

Income taxes amounted to EUR 2,567 thousand, up from EUR 2,180 thousand in 2006. This includes EUR 2,553 thousand (previous year: EUR 1,745 thousand) of actual tax expense and EUR 14 thousand (previous year: EUR 435 thousand) of deferred tax expense. The tax quota fell from 52 percent in the previous year to 36 percent.

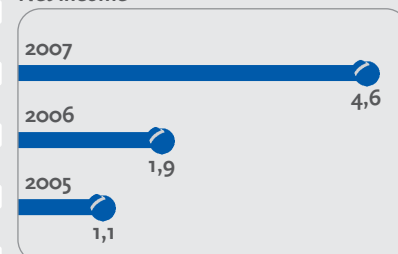
Net income improved disproportionately, increasing by 139 percent from EUR 1,902 thousand to EUR 4,552 thousand in 2007. Based on the basic number of 5,248,452 shares on the end-year key date, this amounts to earnings per share of EUR 0.87 (previous year: EUR 0.37 at 5,173,452 shares).

Income situation and cash flow (millions EUR)

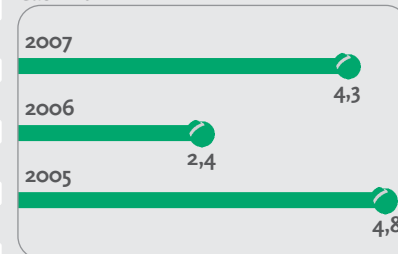
EBIT



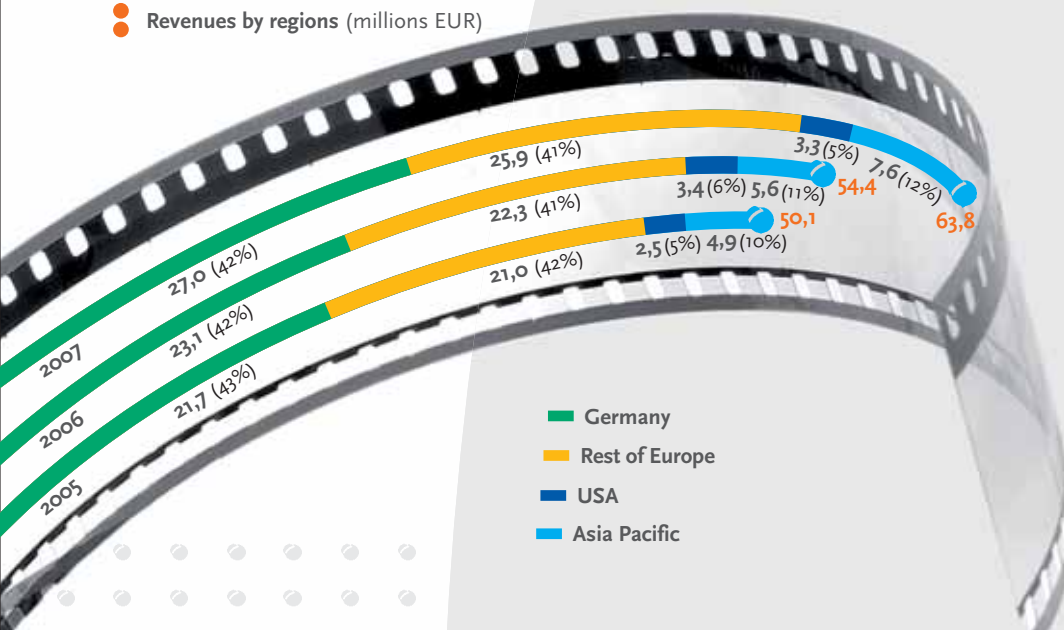
Net income



Cash flow



● Revenues by regions (millions EUR)



- Germany
- Rest of Europe
- USA
- Asia Pacific

● Business development in the various regions

Almost all REALTECH regions increased their revenue in fiscal year 2007. Revenues recorded in Germany increased 17 percent year on year (previous year: 7 percent) from EUR 23,079 thousand to EUR 27,038 thousand, remaining at 42 percent as a proportion of Group revenue. Revenues recorded in other countries amounted to EUR 36,714 thousand, therefore representing 58 percent of total revenue compared to EUR 31,301 thousand and also 58 percent the year before. This 17 percent increase (previous year: 10 percent) can be equally attributed to the European region excluding Germany, and Asia-Pacific.

The European region excluding Germany expanded its revenues by 16 percent (previous year: 6 percent) from EUR 22,263 thousand to EUR 25,916 thousand, a development that is in particular due to the 40 percent increase in revenue in Spain. Revenues were up 5 percent in Italy, whereas a 3 percent decrease in revenue compared to the previous year was recorded in Portugal. The share of the European region excluding Germany in Group revenue remained at 41 percent. Following clear growth in 2006 by 37 percent, the US region recorded a revenue decrease of 5 percent from EUR 3,389 thousand to EUR 3,232 thousand. This region's contribution towards Group revenue therefore fell from 6 percent to 5 percent. In contrast, the Asia-Pacific region recorded a 34 percent increase from EUR 5,649 thousand to EUR 7,566 thousand, including a 43 percent increase in revenue in New Zealand and a 19 percent increase in Japan. This had the result that the share of Group revenue for this region increased to 12 percent (previous year: 10 percent).

Profit development was positive in all REALTECH regions. In Germany, gross profit rose by 11 percent. This included a 7 percent increase in the gross profit margin in the consulting segment and a 14 percent increase in the software segment. In the area of research and development, expenses were reduced slightly over the past fiscal year, whereas costs in sales and distribution rose by 20 percent. Administrative costs remained pretty much on a par with the previous year. As a result of the situation described, the German REALTECH companies recorded a 50 percent increase in EBIT.

The greatest leap in profitability was recorded by the European region excluding Germany, where EBIT increased by 189 percent. The REALTECH companies in Italy, Spain and Portugal all played an equal role here. The US region recorded an increase of 6 percent and the Asia-Pacific region an increase of 58 percent. The companies in New Zealand, Japan and Singapore were each able to achieve a significant improvement in income from operations.



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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 3,089 thousand, following on from EUR 3,177 thousand in 2006. At the General Meeting, REALTECH AG's Executive and Supervisory Boards will propose the distribution of a dividend of EUR 0.50 per share for fiscal year 2007 from the company's net profit. The two committees made this decision on February 11, 2008. The General Meeting is scheduled to be held in Wiesloch on May 29, 2008.

In contrast to 2006, when REALTECH AG's net income included profit distributions from foreign subsidiaries to the amount of EUR 1,150 thousand, net income in fiscal year 2007 was generated exclusively by the German companies.

Investment and financing

The REALTECH Group's cash flow from operating activities increased in the year under review, amounting to EUR 4,409 thousand following a figure of EUR 2,413 thousand in 2006. This development is essentially thanks to the substantial improvement in net income and an increase in liabilities, which more than compensated for the simultaneous increase in trade receivables.

Cash flow from investments in 2007 amounted to minus EUR 4,251 thousand, having been EUR 814 thousand the year before. This reduction was particularly caused by restructuring of interest-bearing securities between the two key dates.

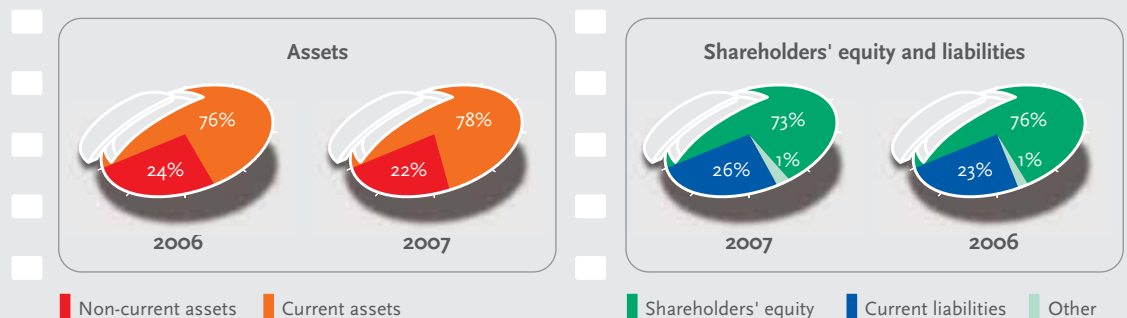
Cash flow from financing activities decreased from EUR 270 thousand to minus EUR 3,246 thousand, particularly due to the reduction in capital and the dividend distributed.

Balance sheet structure

Compared to the same key date the previous year, total assets were up 6 percent from EUR 60,937 thousand to EUR 64,936 thousand. The main reason for this was the increase in receivables on December 31, 2007 compared to the end of the previous year. The equity ratio fell slightly from 75.3 percent to 72.7 percent. The equity capitalization continues to form a sound basis for achieving the company's planned growth targets.

On the balance sheet date, the REALTECH Group had net cash and cash equivalents of EUR 28,066 thousand (previous year: EUR 27,997 thousand). It should be taken into account here that profits to the amount of EUR 2,612 thousand (EUR 0.50 per share) were distributed in May 2007.

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





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

REALTECH AG is required 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 (2007). To meet this requirement, the company is providing the following information:

Subscribed capital is made up as follows: The company's subscribed capital amounts to EUR 5,248,452.00 and is divided into 5,248,452 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, Mr. Peter Stier and AvW Invest Aktiengesellschaft 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 German Stock Corporation Act (Aktiengesetz, AktG) and Section 5.2 of the Articles of Association. In accordance with Section 179, paragraph 1 of the German 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 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.

The company's subscribed capital has been conditionally increased by up to EUR 2,598,707.02 by issuing up to 2,046,226 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 May 16, 2002, make use of conversion rights/obligations or options.

The company's contingently issuable capital according to the commercial register extract on the balance sheet date is EUR 2,431,067.02. Neither the expiry of the abovementioned authorization from the General Meeting from May 16, 2002 to May 15, 2007 nor the reduction of contingently issuable shares by EUR 24,000.00 due to the exercising of conversion rights in November 2007 have yet been entered in the commercial register.

The company's contingently issuable shares on the balance sheet date were EUR 301,000.00 (3,010 bonds each consisting of 100 shares).

As of the end of the day of the Annual General Meeting on May 22, 2007, in accordance with Section 71,



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paragraph 1, no. 8 of the German Stock Corporation Act, the company was authorized to purchase treasury shares amounting to up to 10 percent of the current share capital of EUR 6,570,284.04 up until November 21, 2008 for purposes other than trading in treasury shares. The shares purchased, together with other treasury shares held by the company or attributable to the company as per Section 71a ff. of the German Stock Corporation Act, must at no time amount to more than 10 percent of share capital.

The basic structure of remuneration and the extent of remuneration received by the Executive and Supervisory Boards are presented in the remuneration report. The remuneration report is part of the Management Report, and is included in the Corporate Governance chapter in accordance with the German Corporate Governance Code.

R RESEARCH AND DEVELOPMENT

REALTECH's theGuard! software family forms an end-to-end solution for the automatic monitoring of IT systems, the analysis of company applications and the efficient, error-free operation of complex IT environments. The product range is supplemented by change management and data integration applications that are designed especially for SAP operation.

Having modernized fundamental components of its existing products in 2006, REALTECH invested primarily in new solutions in 2007. These new solutions represent significant enhancements to existing applications, making companies more competitive and also covering additional future market requirements.

Investments

REALTECH AG's research and development costs in fiscal year 2007 reached a value of EUR 4,553 thousand, which is slightly below the previous year's figure of EUR 4,593 thousand. As a percentage of revenue, this expenditure therefore fell from 8 percent to 7 percent. On December 31, 2007, the Group had 57 employees working in the research and development division at its Walldorf and Schweitenkirchen sites (previous year: 57 employees).

New products

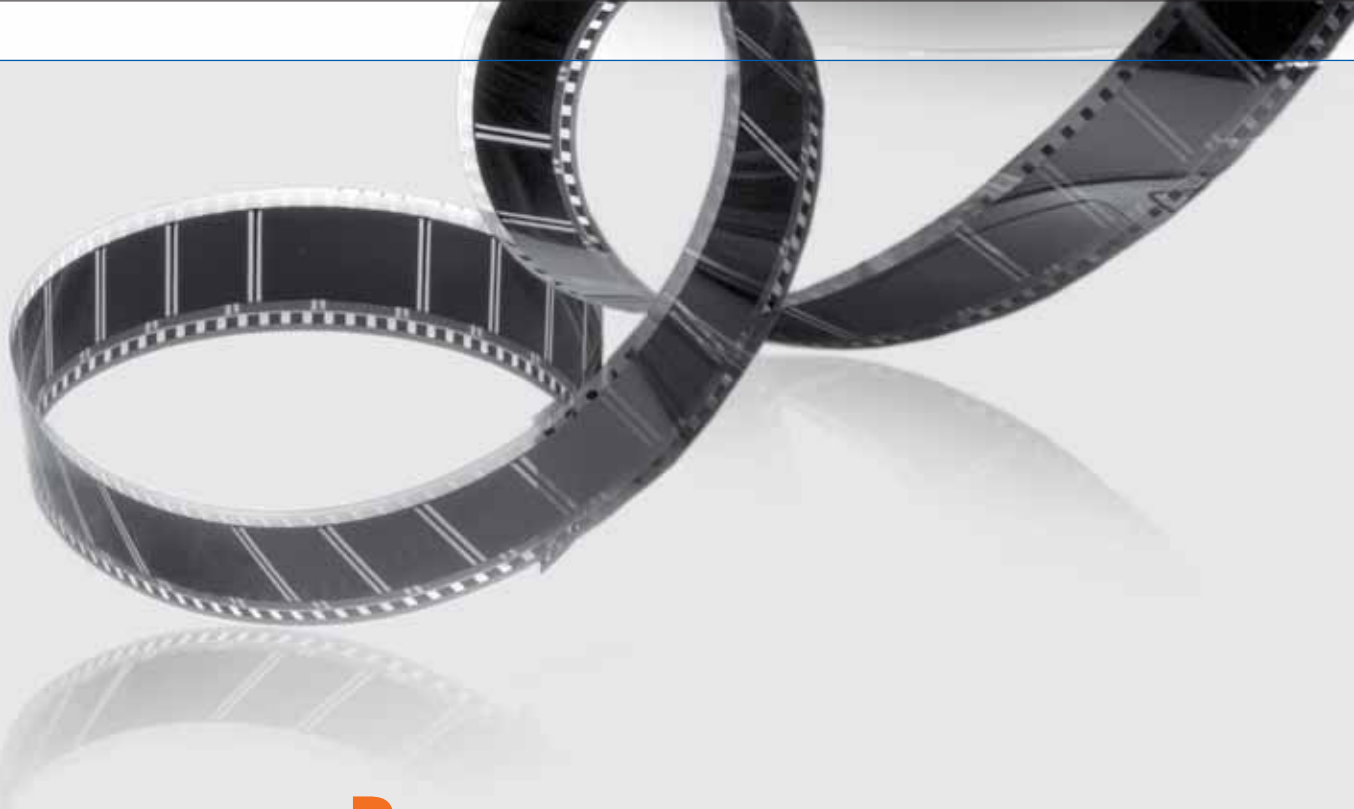
The newly developed theGuard! Business Process Monitor solution helps companies to very efficiently monitor and accurately assess complex system environments. Thanks to its numerous open and easy-to-operate interfaces, the application can be put to a wide range

of different uses, including as an IT service control center for a large number of other, existing monitoring solutions. The project that the company won in 2007 together with the aerospace company EADS to equip the German Federal Armed Forces with a central control system including network monitoring for mobile devices is evidence that this new development is an investment that meets market needs.

In addition, REALTECH has added a modern graphical user interface to theGuard! ApplicationManager, its product for monitoring and analyzing the performance of software applications. Using this product, companies can flexibly analyze large quantities of data relating to user activity, consumption and throughput in real time.

REALTECH is also continuing to expand other existing products. For example, theGuard! ServiceCenter has been given new multi-client capability, thus making it more suited to the needs of IT outsourcers that offer services such as support to a large number of external customers. On top of this, product development has focused, as in previous years, on the implementation of additional functions that will enable companies to fully meet the internationally recognized ITIL (Information Technology Infrastructure Library) management standards.

In the area of special SAP solutions, REALTECH has significantly expanded its TransportManager product in order to provide better support in the future for the



new Java-based applications developed by SAP. TransportManager is therefore a valuable addition to SAP's standard platform, the "SAP Solution Manager". This is also reflected in the fact that TransportManager was awarded "SAP NetWeaver certified" status in 2007, an honor conferred by SAP AG.

With new consulting packages and preconfigured application interfaces, REALTECH extended the scope of its InterfaceManager IM/3 solution. In particular, the new range of functions helps large companies carry out application integration and software update projects more rapidly and efficiently.

Increasing positive contribution to profits

REALTECH anticipates that the software business area will make a significantly increased, positive contribution towards the company's net income again in 2008. The research and development division will focus its efforts in 2008 on the latest technological developments and cover new requirements relating to business process monitoring. In addition, support for service-oriented architectures and for SAP ESOA will be expanded. Though these research activities, REALTECH is addressing the constantly increasing use of these new technologies.

RISK MANAGEMENT

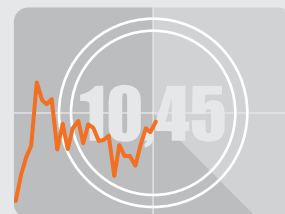
As a company with global operations, REALTECH AG's wide range of activities exposes it to various risks. The Group defines risks in the broadest possible sense as the danger of not reaching its financial, operational or strategic goals as planned. In order to ensure that the company is successful in the long term, it is thus essential to effectively identify and analyze risks, and to take appropriate control measures to remove or at least limit these risks.

REALTECH has an extensive risk management system, which allows the company to detect risks early on, analyze them and take appropriate measures. This system is implemented as an integral component of business processes throughout the company. It comprises a series of control mechanisms and is a core element of strategic decisions. Amongst other things, this includes the entry, monitoring and control of internal company processes and business risks, various management and control systems, a uniform, Group-wide planning process, as well as comprehensive and regular risk reporting. In order to ensure the effectiveness of risk management, transparency and the aggregation of risks in conjunction with reporting, REALTECH has established a uniform, Group-wide and integrated approach towards the management of company risks with direct reporting to the Executive Board. In this way, the Group can continually identify and assess the risks involved in all key business activities using a standardized, methodical approach. In addition, specialist departments are able to monitor implementation of the defined counteractive measures and regularly report on risks to management or the Executive Board.

Uniform risk assessment throughout the corporate group

When assessing risks, REALTECH considers their probability of occurrence and the extent of damage that they would cause. In the process, the company uses both quantitative and qualitative methods, which are standardized throughout the company and thus make it possible to compare risk assessments across different business areas. The company then uses the result for the probability of occurrence and extent of damage, based on the uniform, Group-wide risk assessment matrix, to provide an assessment of the risk as a percentage.

In other areas that are less amenable to quantitative assessment, REALTECH uses the aforementioned standardized risk assessment matrix as a basis to perform qualitative risk assessments. In this process, the company estimates the probability of occurrence of individual risks and their consequences based on an assessment period of three years, and prioritizes risks accordingly. Risks are only controlled by taking out insurance when the Group considers this appropriate with a view to the associated economic benefits.



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Clearly defined risks

With a view to creating transparency with regard to all risks that exist in the Group and also facilitating the tasks of risk management and reporting, REALTECH records all identified risks in a risk map as part of corporate reporting. In the context of quarterly risk reporting, the various specialist departments consolidate and aggregate risk management information and report on this to the Executive Board. If risks have an expected loss of more than EUR 4 million, REALTECH considers them to endanger the company's continued existence.

The company reviews its risk management guidelines and risk map on an annual basis and modifies them where necessary. Each year, the auditor investigates the basic suitability of the company's risk management system for the early recognition of risks that endanger the company's continued existence as defined in Section 91, Paragraph 2 of the German Stock Corporation Act.

The significant company risks established and tracked using the risk management system are listed below under the risk category to which they belong based on the structure of the internal risk management reporting system.

Economic risks

The acquisition and implementation of REALTECH products and the implementation of REALTECH consulting projects can involve sizeable investments for customers, and are therefore subject to an investment decision-making process. Uncertainties, caused by changes in the political, legal and social situation, may have negative effects on the Group's net assets, financial position and earnings – as a result of both a reduction in the general willingness to invest and a time delay in the planning of such investments. The company's international orientation and the fact that REALTECH offers its products on all important world markets provide the company with the flexibility to compensate regional economic difficulties through better results on other markets. It therefore seems unlikely that earnings will be significantly affected by a decline in the general global economic situation.

The economic declines resulting from events such as terrorist attacks, armed conflicts and natural catastrophes in recent years were generally only of a short-term nature and have had no lasting negative impact overall on business success.

REALTECH currently markets its products and services in more than 25 countries worldwide. Business activities in these countries are associated with the usual risks involved in international activities. As specified above, these risks include in particular the general economic or political situation of individual countries, interaction between different tax systems, and legal hurdles such as import and export restrictions, legal regulations governing the use of the Internet, and guidelines for the development or provision of software and services. For the majority of important target markets, in particular the markets in the EU, the Group considers these risks to be unlikely to take effect and believes their consequences to be minimal, thanks to the high level of convergence of legal regulations and tax code.

Market risks

In recent years, the entire IT sector has experienced a phase of consolidation resulting from company mergers. This also affected large companies such as SAP, IBM, Microsoft and Oracle. One possible consequence of a substantial increase in competition from new or stronger competitors is a decrease in revenues.

Concentrating on products from SAP 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 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. In addition, an increasing proportion of revenues recorded as a result of new customer business offers new sales opportunities and thus partial substitution options.

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

● Risks in strategic planning

A significant part of REALTECH's strategy entails further expanding its market share. The process of developing new products and launching them on the market is always associated with risks that may have a negative impact on the company's financial position and earnings. Over the past few years, the company has demonstrated its ability to successfully counteract the risks connected with new products and further expand its market share. In addition, REALTECH is confident that it can meet the requirements of its customers due to the fast benefits obtained from the application of products and implementation of consulting projects, combined with assessable risk and foreseeable costs. For this reason, the Group considers it unlikely that planned product innovations and services will have any significant negative impact on income growth.

● Personnel risks

It is the company's highly qualified employees who enable REALTECH to provide and market its services, develop and market its products, and successfully manage its business processes. If a large number choose to leave REALTECH and the company is unable to find suitable replacement employees, this may have a detrimental effect on 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 sector has become stronger again, it is not possible to guarantee that REALTECH will be able to retain its top performers in the long term. Nevertheless, the employee fluctuation rate is relatively low. The company therefore 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.

● Communication and information risks

In recent years, REALTECH has implemented a range of measures to counteract the risk of internal, confidential announcements and information regarding highly sensitive topics, for instance future strategies and products, being passed on to the general public incorrectly or too early. These measures include binding company-wide security standards and guidelines on internal and external communication, IT precautions to prevent confidential internal content from being forwarded via external communication networks, as well as the distribution of specially encrypted hardware to employees who regularly work with confidential information.



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Despite this, there is no guarantee that these protective mechanisms will be successful in every single case. However, in view of the far-reaching measures, which REALTECH regularly reviews, the company considers it unlikely that the aforementioned risk will take effect.

Financial risks

Since January 1, 1999, the euro has been REALTECH's balance sheet and Group currency. The company processes a comparatively small proportion of its transactions in other currencies, meaning that the periodic fluctuations of individual currencies may have an effect on REALTECH's sales revenues and earnings. Appreciation of the euro in respect to other currencies generally has a negative effect, while depreciation of the euro has a positive effect. However, the company estimates these risks to be low and easy to calculate. 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.

Operative risks

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

Principally, the company is subject to the risk that the products and services it offers may not enjoy sufficient market acceptance. As a result of a rapid technology changeover or erroneous development activities, for instance, the company may not quite meet customer requirements. 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 further breakthrough on the market. This is an area of ever-increasing importance for REALTECH, in which the company regularly invests. Should SAP NetWeaver fail to achieve the aspired breakthrough, this would 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.

Insurance risks

The REALTECH Group is insured against claims for damages, including claims under liability law. In this way, the company is able to limit the possible consequences of remaining risks, if not eliminate them altogether. REALTECH regularly reviews the extent of its insurance cover and updates it as necessary.

Other risks

Risks also result from rules and laws relating to tax, competition, and patents. In order to counteract such risks, REALTECH bases decisions and the design of business processes on extensive legal consulting both by its own experts and by 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 unauthorized users copying its products or misusing existing rights.

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

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, whereby REALTECH's main aim is to specifically extend its product portfolio. The risks typical of such transactions include the integration of 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.

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 major 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 that may endanger the company's continued existence or have a substantial detrimental effect on the company's net assets, financial position and earnings. 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.

OUTLOOK

In fiscal year 2007, REALTECH AG seamlessly followed on from the successful previous year. In terms of revenue and income, the company recorded the highest figures in its history, with revenue increasing year on year by 17 percent and income from operations (EBIT) increasing by 77 percent. If we take a look at development over the past fiscal year of 2007, it once again becomes apparent how greatly REALTECH is benefiting from the measures launched in 2004 to restructure its business fields.

REALTECH has successfully transformed itself from a pure technology consultancy firm for SAP systems into a consulting specialist for business processes and projects of strategic



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importance. The company has already been distinguishing itself for several years through its competent consulting services for business processes in connection with SAP applications. On top of this, REALTECH also continues to support its customers in optimizing, consolidating and operating complex IT infrastructures. In expanding its consulting portfolio to also cover operational processes, the company has tapped another promising market – and REALTECH has plans to position itself even more firmly as a supplier of business process integration in the future.

Competent process consulting

With its combination of SAP technology skills and expertise in the process consulting business, REALTECH sets itself apart from the competition. Moreover, 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.

Over the next few years, the company intends to further expand its unique selling points of SAP technology skills and expertise in the process consulting business. A clear emphasis will be placed on expertise relating to innovative and powerful SAP application environments. After all, this is one of the market segments in which analysts anticipate a substantial increase in 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). Experts are certain that the future of application infrastructures lies in this concept. SAP AG has developed its own solution for a flexible application architecture. This software, Enterprise SOA (ESOA), paves the way for SAP users to establish a service-oriented IT environment. The core product in the ESOA strategy is the SAP NetWeaver integration platform. This solution will lead to further change on the market for consulting services, as major corporations and medium-sized companies alike are increasingly launching projects with the aim of putting an SOA strategy into practice – and are greatly dependent on the type of external expertise that REALTECH offers.



Strategy and technology consultants

In the consulting business, REALTECH strives to focus on future-oriented topics and thus achieve profitable growth in all three segments: in SAP technology consulting, in the preparation for SAP NetWeaver and in solutions for business processes using SAP NetWeaver/ESOA. In particular, the company intends to consistently continue to focus on higher-volume projects that require intensive consulting services, a focus that was introduced in 2005. In this context, REALTECH plans to particularly concentrate on further strengthening the business process integration segment, as well as to broadly market SAP NetWeaver competence by training new employees.

In addition, REALTECH plans to keep the option of inorganic growth open. Growth is to be boosted by partnerships and acquisitions that enhance REALTECH's range of services and solutions. The key criterion here is that the companies considered fit in with REALTECH in terms of the subject areas they cover, their technical level and their corporate culture.

In the software business, REALTECH will continue to concentrate on its two product lines: its theGuard! software family and

applications especially tailored for use with SAP. The company's activities in 2008 will again revolve around current technological developments, alongside plans to constantly further develop the solutions in both product lines, make them even more user-friendly, and enhance them by adding new service features and functions. In this way, REALTECH products will help make the company's customers more competitive while at the same time covering future market requirements. REALTECH anticipates that the software business area will make a significantly increased, positive contribution towards the company's net income again in 2008.

Once again in 2008, the REALTECH Group perceives the main focus of its activities to be in Europe, with the core markets of Germany, Italy and Spain offering the greatest potential for growth. For example, the company maintained its leading position in SAP technology consulting in Spain in 2007, and hopes to further build on this excellent position in 2008. Business also progressed as planned in 2007 in the USA and the Asia-Pacific region, with the result that REALTECH also anticipates stable growth rates there in 2008.

Long-term employee retention

In times characterized by a strong demand for IT specialists, it is particularly important to keep employees within the company. REALTECH therefore continues to pay great attention to ensuring that employees perceive the company as an attractive employer. To this end, alongside offering suitable salaries, the company makes every effort to offer targeted education and further training as well as various national and international deployment prospects. On top of this, REALTECH offers its employees individual development plans and clear career models in order to keep them within the company in the long term.

For fiscal year 2008, REALTECH has set itself ambitious, but achievable goals. The Executive Board aspires to achieve a revenue growth rate of 14 percent for the corporate group, and hopes to see income from operations (EBIT) rise by 11 percent. These positive expectations are based on the clearly defined range of services that the company has had since restructuring. REALTECH intends to build on these foundations in order to continue to achieve profitable growth with high margins – something that should also be reflected in future distribution of dividends to shareholders.



RTC : 21.08.07



RESPONSIBILITY STATEMENT

Affirmation of the legal representatives:

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.”