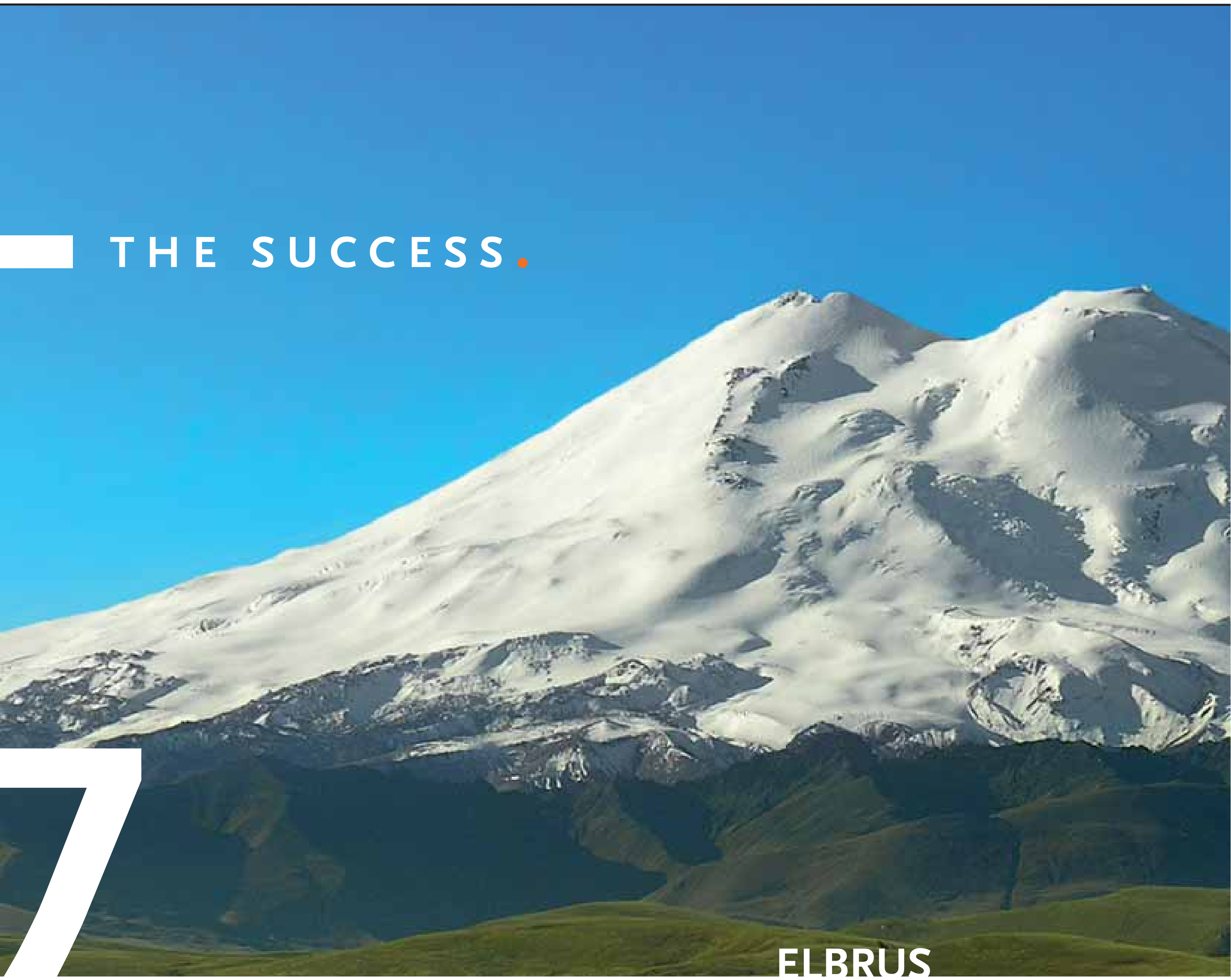
Annual Report 2008

REALTECH



THE SUCCESS.

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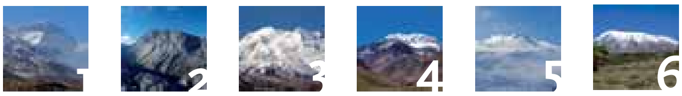
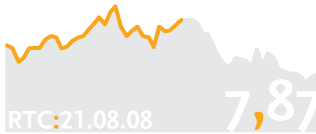
ELBRUS

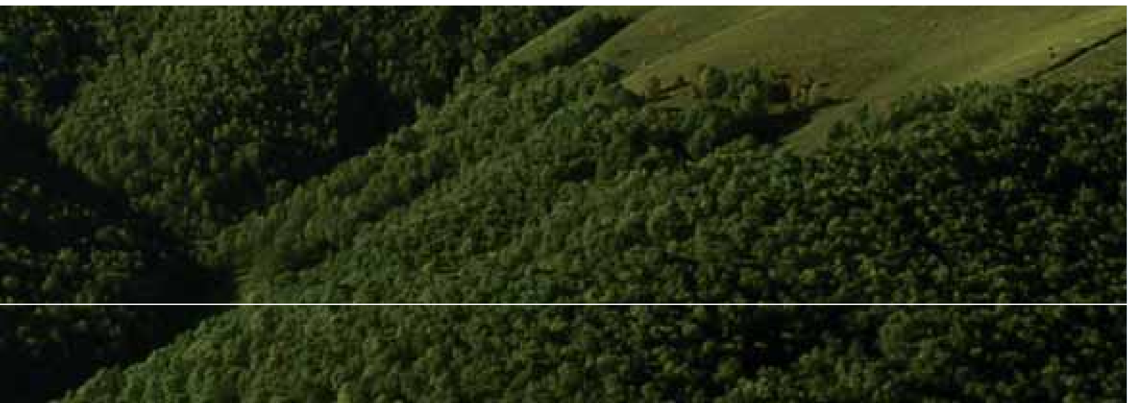
Mount Elbrus is located around twelve kilometers to the north of the main ridge of the Caucasus Mountains, meaning that it lies completely in European territory and is thus also the continent's highest peak. The ascent of this mountain doesn't pose any major technical difficulties, but should nevertheless not be underestimated. The majestic height of this prominent double peak and its proximity to the Black Sea give rise to extremely volatile weather. Sudden changes in weather are possible, especially in the area around the summit, with perfect sunshine changing to fog and icy temperatures in a matter of minutes.





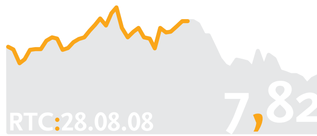
Europe

Name	Elbrus
Elevation	5.642m
Location	Kabardino-Balkaria (Russia)
Range	Kaukasus
Coordinates	43° 21' 18" S, 42° 26' 21" W
First ascent	1874, F. Gardiner, F. Crauford Grove, H. Walker, P. Knubel



Consolidated Balance Sheets

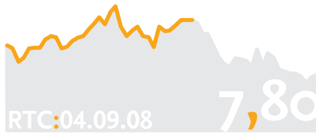
ASSETS	Notes	31.12.2008 EUR	31.12.2007 EUR
Non-current assets			
Intangible assets	(6)		
Concessions, industrial rights and similar rights and assets		326.644	297.716
Goodwill		4.335.679	4.335.679
		4.662.323	**4.633.395**
Tangible assets	(6)		
Property, plant and equipment		7.433.708	7.772.756
Technical equipment and machines		68.412	44.911
Other equipment and office equipment		1.644.799	1.709.024
		9.146.919	**9.526.691**
Financial assets	(6)		
Other financial assets		**137.334**	**85.071**
Deferred tax assets	(14)	**282.500**	**304.141**
		14.229.076	**14.549.298**
Current assets			
Receivables and other assets			
Trade receivables	(8)	24.028.022	21.159.209
Income tax receivables	(14)	697.701	211.759
Other financial assets	(9)	371.774	490.513
Other assets	(10)	714.667	459.849
		25.812.164	**22.321.330**
Securities	(11)	**1.118.737**	**18.180.309**
Cash and cash equivalents		**5.317.207**	**9.885.536**
		32.248.108	**50.387.176**
Total assets		**46.477.184**	**64.936.474**



SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2008 EUR	31.12.2007 EUR
Shareholders' equity	(12)		
Subscribed capital		5.260.452	5.248.452
(Authorized capital EUR 279.600,00; py: EUR 301.000,00)			
Additional paid-in capital		13.334.574	34.200.867
Surplus for market appraisal of securities		(479.130)	168.515
Cumulative translation differences		35.141	(135.964)
Retained earnings		10.349.782	7.276.847
		28.500.819	**46.758.717**
Minority interests	(13)	**724.847**	**443.893**
		29.225.666	**47.202.610**
Current liabilities			
Trade accounts payable	(16)	2.335.810	2.186.072
Income tax payable	(14)	1.067.659	1.415.082
Provisions	(15)	8.842.670	8.561.773
Other financial liabilities	(16)	126.398	25.374
Other liabilities	(16)	4.398.300	5.027.304
		16.770.837	**17.215.605**
Deferred tax liabilities (non-current)	(14)	**480.681**	**518.259**
Total shareholders' equity and liabilities		**46.477.184**	**64.936.474**

Consolidated Statements of Income

	Notes	2008 EUR	2007 EUR
Revenues	(17)	70.822.937	63.752.375
Costs of revenues		43.916.362	38.609.006
Gross profit		**26.906.575**	**25.143.369**
Selling and marketing expenses		9.160.417	8.013.345
General and administrative expenses		7.054.622	6.763.222
Research and development expenses		4.621.664	4.557.405
Other operating expenses	(19)	1.574.576	1.326.201
Other operating income	(20)	2.530.855	2.126.970
Operating income		**7.026.152**	**6.610.166**
Net interest	(21)	535.062	650.567
Income from financial assets and securities		975.862	51.225
Foreign currency exchange gain/(loss)		(39.798)	(98.684)
Income before taxes and minority interests		**8.497.278**	**7.213.274**
Income taxes		2.687.754	2.566.525
Income before minority interests		**5.809.524**	**4.646.749**
Minority interests		106.362	94.509
Net income		**5.703.161**	**4.552.240**
Accumulated profit carried forward		7.276.847	5.336.833
Dividend payment		2.630.226	2.612.226
Retained earnings		**10.349.783**	**7.276.847**
Average number of shares outstanding – basic		5.255.952	5.248.452
Average number of shares outstanding – diluted		5.535.552	5.549.452
Earnings per share – basic		1,08	0,87
Earnings per share – diluted		1,03	0,82

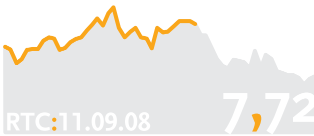


Consolidated Statements of Cash Flows

	2008 EUR	2007 EUR
Net income	**5.703.161**	**4.552.240**
Depreciation of fixed assets	1.012.858	990.220
Change in asset disposals	144.093	3.329
Change in convertible bonds (personnel expenses)	54.241	70.000
Other change in shareholders' equity and in minority interests	(183.587)	(1.084.554)
Change in income tax payable	1.220.455	1.398.900
Payment for income taxes	(1.567.878)	(903.217)
Change in provisions	280.897	295.655
Change in trade receivables	(2.868.813)	(3.828.561)
Change in other assets	(600.381)	1.775
Change in trade accounts payable and in other current liabilities	(415.820)	1.901.710
Proceeds from interests	550.505	654.736
Payment for interests	(15.443)	(5.554)
Cash flow from operating activities	**3.314.288**	**4.046.679**
Purchase of intangible assets	(145.573)	(239.517)
Purchase of tangible assets	(664.936)	(864.284)
Investment in financial assets	(47.859)	5.731
Change in current securities	16.526.510	(3.805.096)
Cash flow from investing activities	**15.668.142**	**(4.903.166)**
Change in dividends	(2.630.226)	(2.612.226)
Change in convertible bonds	68.670	381.280
Change in repayment of capital	(20.989.203)	0
Cash flow from financing activities	**(23.550.759)**	**(2.230.946)**
Change in cash and cash equivalents	**(4.568.330)**	**(3.087.437)**
Cash and cash equivalents at beginnig of the period	**9.885.536**	**12.972.973**
Cash and cash equivalents at end of the period	**5.317.207**	**9.885.536**

Consolidated Statements of Changes in Shareholders' Equity

	Common stock Number	Subscribed capital EUR	Additional paid-in-capital EUR
December 31, 2005	**5.092.452**	**6.467.414**	**33.228.257**
Change in subscribed capital	81.000	102.870	
Net income			
Unrealized profit/loss from securities translations incl. effects from its realization			
Translation adjustments			
Dividend payment			
Execution of stock options and convertible bonds			521.330
Minority interests			
December 31, 2006	**5.173.452**	**6.570.284**	**33.749.587**
Change in subscribed capital	75.000	(1.321.832)	
Net income			
Unrealized profit/loss from securities translations incl. effects from its realization			
Translation adjustments			
Dividend payment			
Execution of stock options and convertible bonds			451.280
Minority interests			
December 31, 2007	**5.248.452**	**5.248.452**	**34.200.867**
Change in subscribed capital	12.000	12.000	
Net income			
Unrealized profit/loss from securities translations incl. effects from its realization			
Translation adjustments			
Dividend payment			
Capital increase from company's own recources		20.989.203	(20.989.203)
Ordinary capital reduction		(20.989.203)	
Execution of stock options and convertible bonds			122.911
Minority interests			
December 31, 2008	**5.260.452**	**5.260.452**	**13.334.574**



Surplus for maket appraisal of securities EUR	Cumulative translation differences EUR	Retained earnings EUR	REALTECH AG shareholders' interest of equity EUR	Minority interests EUR	Shareholders' equity EUR
(179.046)	**(23.239)**	**3.943.669**	**43.437.054**	**286.909**	**43.723.964**
			102.870		102.870
		1.902.409	1.902.409		1.902.409
205.015			205.015		205.015
	(134.060)		(134.060)		(134.060)
		(509.245)	(509.245)		(509.245)
			521.330		521.330
				83.587	83.587
25.969	**(157.299)**	**5.336.833**	**45.525.374**	**370.496**	**45.895.870**
			(1.321.832)		(1.321.832)
		4.552.240	4.552.240		4.552.240
142.546			142.546		142.546
	21.335		21.335		21.335
		(2.612.226)	(2.612.226)		(2.612.226)
			451.280		451.280
				73.397	73.397
168.515	**(135.964)**	**7.276.847**	**46.758.716**	**443.893**	**47.202.610**
			12.000		12.000
		5.703.161	5.703.161		5.703.161
(647.645)			(647.645)		(647.645)
	171.105		171.105	174.628	345.733
		(2.630.226)	(2.630.226)		(2.630.226)
			(20.989.203)		(20.989.203)
			122.911		122.911
				106.326	106.326
(479.130)	**35.141**	**10.349.782**	**28.500.819**	**724.847**	**29.225.666**

Notes to the Consolidated Financial Statements

ACCOUNTING POLICIES

1. Basis of preparation of the consolidated financial statements

REALTECH AG has prepared its consolidated financial statements in accordance with the accounting standards of the International Accounting Standards Board (IASB) – i.e. the International Financial Reporting Standards (IFRS) as they must be applied in the EU – since fiscal year 2005. The IAS, IFRS and corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC) applicable on December 31, 2008 have been taken into account. The figures for the previous year were also determined based on the same standards.

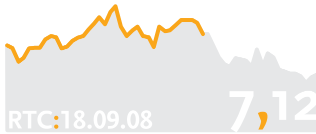
According to Section 315a of the German Commercial Code (Handelsgesetzbuch, HGB), REALTECH AG is required to prepare consolidated financial statements in accordance with IFRS. The consolidated financial statements have been prepared in euros. Where there is no indication to the contrary, all amounts are specified in thousands of euros (TEUR). The consolidated financial statements give a fair presentation of the Group's net assets, financial position and earnings situation.

The income statement has been prepared in accordance with the "cost of sales" method.

REALTECH AG is a registered stock corporation under German law and is headquartered in Walldorf/Baden, Germany.

The company maintains a presence and offers its products and services in Germany, Italy, Spain, Portugal, the United States of America, New Zealand, Singapore and Japan.
The company manages and supports its subsidiaries specializing in technology consulting, hosting SAP and e-business solutions, and software development for applications and systems management.

The Executive and Supervisory Boards decided at their meeting on February 16, 2009 to propose at the next General Meeting the distribution of a dividend of EUR 0.50 per share (EUR 2,630,226.00). This planned distribution must be taxed based on the individual situations of the shareholders. The compensation procedure in force since January 1, 2009 leads to a tax burden of 26.98% (25% withholding tax plus 5.5% solidarity surcharge). In addition, church tax must be paid where appropriate.



Mandatory standards and interpretations not yet applied

Up to the date of preparation of the consolidated financial statements as of December 31, 2008, the following new and changed standards and interpretations were passed. However, they take effect at a later point in time and have not been prematurely applied in these consolidated financial statements. The consequences for the company's consolidated financial statements have not yet been fully analyzed, meaning that the expected effects presented in the footnotes to the following table merely represent an initial estimate.

Standard/interpretation	FN	To be applied for fiscal year as of	Planned initial application as of
IFRS 2 Share-based payment	1,3	January 1, 2009	January 1, 2009
IFRS 3 Business Combinations/IAS 28/IAS 31	1,3	January 1, 2009	July 1, 2009
IFRS 8 Operative segments	2	January 1, 2009	January 1, 2009
IAS 1 Presentation of Financial Statements	1,3	January 1, 2009	January 1, 2009
IAS 23 Borrowing Costs (revised)	1,3	January 1, 2009	January 1, 2009
IAS 27 Consolidated and Separate Financial Statements as per IFRS	1	January 1, 2009	July 1, 2009
IAS 32 Financial Instruments: Presentation (revised)	1,3	January 1, 2009	January 1, 2009
IFRIC 12 Service Concession Rights	1,3	January 1, 2009	January 1, 2009
IFRIC 13 Customer Loyalty Programmes	1,2	July 1, 2008	January 1, 2009
IFRIC 15 Agreements for the Construction of Real Estate	1,3	January 1, 2009	January 1, 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1,2	January 1, 2008	Q2 / 2009
Improvements to IFRS/IAS 16 Property, Plant and Equipment, IAS 19 Employee Benefits, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, IAS 8 Accounting Policies, IAS 10 Events after Reporting Period, IAS 18 Revenue, IAS 29 Financial Reporting in Hyperinflation Economics, IAS 34 Interim Financial Reports, IAS 39 Financial Instruments, IAS 40 Investment Property, IAS 41 Agriculture, IFRS Disclosure	1,2	January 1, 2009	January 1, 2009
IFRIC 17 Distributions of Non-cash Assets to Owners	1,2	January 1, 2009	January 1, 2009
IFRIC 18 Transfers of Assets from Customers	1,2	July 1, 2009	July 1, 2009
IFRS 1 and IAS 27 Cost of an investment in a subsidiary, jointly controlled entity or associate	1,2	January 1, 2009	January 1, 2009

1 No noteworthy consequences for the consolidated financial statements are expected.
2 Additional/modified notes to the consolidated financial statements are mainly expected.
3 The IASB/IFRIC pronouncement has not yet been adopted by the EU.
4 Subject to the outstanding EU endorsement.

The accounting policies applied correspond to the methods used the previous year. The consolidated financial statements are also based on the standards passed by the German Accounting Standards Board (GASB) and announced by the Federal Ministry of Justice in accordance with Section 342, paragraph 2 of the German Commercial Code.

New standards and interpretations applicable in the year under review

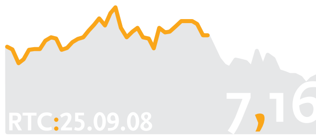
The new standards applicable in the year under review – IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions", IFRIC 14 "IAS 10 the Limit on a Defined Benefit Asset: Minimum Funding Requirements and their Interaction", IFRIC 16 "Hedges of Net Investment in a Foreign Operation", and IAS 39 and IFRS 7 "Reclassification of Financial Instruments" – did not have any effects on the company's financial statements.

In fiscal year 2008, other assets and other liabilities were divided into financial and non-financial components. The figures for the previous year have been adapted accordingly to aid comparison. The financial assets of EUR 372 thousand (previous year: EUR 491 thousand) and financial liabilities of EUR 126 thousand (previous year: EUR 25 thousand) are presented separately. The presentation of earnings per share is not affected.

2. Companies included in the consolidated financial statements

The group of consolidated companies of REALTECH AG, Walldorf, contains all subsidiaries in which the parent company holds a direct or indirect majority of voting rights:

- REALTECH System Consulting GmbH, Walldorf, Germany, 100%
- REALTECH Sales GmbH, Walldorf, Germany, 100%
- DB-Online GmbH, Walldorf, Germany, 100%
- LMC-LAN Management Consulting GmbH, Schweitenkirchen, Germany, 100%
- GloBE Technology GmbH, Walldorf, Germany, 100%
- REALTECH Italia S.p.A., Agrate Brianza, Italy, 100%
- REALTECH System Consulting S.L., Madrid, Spain, 100%
- REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lisbon, Portugal, 100%
- REALTECH Inc., Malvern, PA, USA, 100%
- REALTECH Ltd., Auckland, New Zealand, 100%
- REALTECH System Consulting Pte. Ltd., Singapore, 100%
- REALTECH Japan Co., Ltd., Tokyo, Japan, 54.1%



The group of consolidated companies has not changed since December 31, 2007.

Of the German subsidiaries with the legal form of a corporation, REALTECH System Consulting GmbH, Walldorf, LMC-LAN Management Consulting GmbH, Schweiten¬kirchen, and REALTECH Sales GmbH, Walldorf fulfilled the requirements stipulated in Section 264 (3) of the German Commercial Code (Handelsgesetzbuch) for utilizing the exemption regulation. The company thus refrains from disclosing the annual financial statements.

3. Consolidation methods

The consolidated financial statements are based on annual financial statements that the companies included in the Group have prepared following the uniform IFRS rules. They have been checked by independent auditors. In accordance with the IFRS specifications, initial consolidation is carried out at the time of purchase, while deconsolidation is carried out at the time of sale. The balance sheet dates of the companies included in the consolidated financial statements correspond to the Group's balance sheet date (December 31).

For the subsidiaries included, capital consolidation is carried out using the purchase method. The cost of the interests acquired is offset against the proportionate equity of the subsidiary at the time of purchase. Where no substantial differences exist between the fair value and the recognized value of assets and liabilities, remaining differences are recognized as goodwill under intangible assets in accordance with IFRS 3. Negative goodwill must be recognized in the income statement. For all companies initially consolidated before January 1, 2004, the updated values from consolidation in conjunction with US-GAAP accounting have been retained in accordance with IFRS 1.

Intercompany revenues, income and expenses, and receivables and payables are offset and intercompany profits are eliminated. The necessary deferred taxes are applied to the consolidation transactions.

4. Currency translation

The annual financial statements of the company's foreign subsidiaries are converted to euros in accordance with IAS 21 using the modified reporting date method and based on the concept of functional currency. As the subsidiaries conduct their operations autonomously from an organizational, financial and economic viewpoint, the national currency in each case is identical to the functional currency.

Income and expenses are converted at average annual exchange rates, while assets and liabilities are converted using the mean rate on the balance sheet date. The resulting difference is offset against equity with no effect on profit or loss and is shown separately there (reconciling item in currency translation).

5. Summary of significant accounting policies

Intangible assets

Intangible assets are accounted for and measured in accordance with IAS 38, which stipulates that intangible assets acquired must be measured at cost less straight-line depreciation.

Intangible assets essentially comprise software and acquired goodwill. The regular useful life of software is three years.

In connection with the rules of IFRS 3, goodwill is accounted for based on the impairment only method and is subject to regular impairment tests.

The impairment tests are carried out for the defined cash generating units based on the rules of IAS 36 using the discounted cash flow method. A discounting rate of 12% is applied. The data from corporate planning, approved by management and the supervisory bodies, is used. This is based on a three-year period. Planning is based on the experience and results of past fiscal years, as well as on expectations regarding future market developments. As it is assumed that the acquired goodwill will be utilized in the long term, the last planning phase has been continued without a growth markup. It has been assumed that EBIT will remain constant in subsequent years. The two segments of consulting and software are defined as cash generating units. As in the previous year, the goodwill of EUR 4,335 thousand recognized on December 31, 2008 is made up of EUR 2,601 thousand from the consulting segment and EUR 1,734 thousand from the software segment.

Property, plant and equipment

Property, plant and equipment are recognized at cost less usage-based depreciation. A useful life of between 3 and 10 years is defined for movable property, plant and equipment. Buildings are subject to straight-line depreciation over 40 years.

Write-downs on property, plant and equipment are carried out in accordance with IAS 36, as long as the recoverable amount of the asset is higher than the carrying amount. The recoverable amount of an asset is defined as the higher of its net realizable value and its value in use. If the reasons for carrying out write-downs in previous years have ceased to apply, the asset is written up accordingly. Borrowing costs are shown as expense.

Leasing

Lessees are considered to be beneficial owners if all the risks and rewards incidental to ownership are substantially transferred by the terms of the finance lease (IAS 17). If beneficial ownership is attributable to the REALTECH Group, the assets are capitalized at the time the contract is signed – at fair value or at the lower present value of the minimum lease payments. Depreciation is carried out using the straight-line method in line with the economic life or over the shortened contract term.

The discounted payment obligations resulting from the leasing installments are treated as liabilities and presented under other liabilities.

Where operating leases exist in the REALTECH Group, leasing installments or rental payments are treated directly as an expense in the income statement.

Financial assets

The company has financial assets in the loans and receivables and available for sale categories.

Loans and receivables

Trade receivables are shown at the time the revenue is realized or consideration is rendered and are measured at amortized cost taking account of appropriate markdowns for all recognizable risks.

Receivables resulting from issuing software licenses are not accounted for until a signed contract with the customer exists, any rights of return that have been granted have expired, and the software has been provided in accordance with the contract. Other financial assets are measured at cost. They are written down to the respective market price.

Allowances

Allowances are shown on a separate allowances account. An asset's carrying amount is reduced, or an asset is derecognized, when the asset is considered to be definitively uncollectible.

Available for sale

Securities are recognized with their cost and market values on the measurement date. Measurement gains and losses are shown under equity, with no effect on income, as a reserve for the market assessment of securities. Market values are derived from share prices on the balance sheet date. Securities provide reserve liquidity and are therefore shown in the available for sale category.

Deferred taxes

Deferred taxes are recognized, in accordance with IAS 12, for all temporary differences between the carrying amounts in the consolidated balance sheet and the tax base of assets and liabilities, as well as for tax loss carryforwards.

Deferred tax assets for accounting and measurement differences as well as for tax loss carryforwards are only recognized if it is sufficiently probable that these differences will lead to the corresponding benefits in the future. Deferred tax assets and liabilities are set off against one another if the tax creditors are identical and the payment periods match.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, bank balances and fixed-term deposits with terms of up to 3 months. The securities item only includes highly liquid short-term financial investments which can be converted into certain cash amounts at any time and are only subject to insignificant value fluctuations.

The company classifies all current-asset securities as available for sale. These items are measured on the balance sheet date at market value, with value changes being offset against equity with no effect on profit or loss.

Liabilities

Liabilities are carried at amortized cost or redemption values. Liabilities resulting from finance leases are shown at the present value of the future leasing installments.

All financial liabilities have been measured at amortized cost.

Provisions

Provisions take account of all recognizable obligations to third parties in accordance with IAS 37. It must be possible to reliably estimate their extent and it must be more likely than unlikely that this will lead to an outflow of future resources. Provisions are only made for legal and constructive obligations to third parties.

No provisions are made for expenses because there is no external obligation in this case. The established provisions are assigned to current liabilities.

Use of estimates

A certain amount of estimates and assumptions are required in the consolidated financial statements. These affect the assets and liabilities carried on the balance sheet and the disclosure of income and expenses during the period under review. The actual amounts may differ from the estimates and assumptions.

The process of determining the recoverable amount for a cash-generating unit involves estimates by management. The methods used for determining the fair value less costs to sell include methods based on discounted cash flows and methods that revolve around listed market prices. The estimates, including the methods used, may have a significant effect on the determination of the fair value, and ultimately on the level of amortization of goodwill.

The measurement of property, plant and equipment and intangible assets involves estimating the expected useful lives of the assets. The fair values of assets are determined based on assessments by management.

In conjunction with determining the impairment of property, plant and equipment and intangible assets, estimates are made based on aspects such as the cause, point in time and level of the impairment. Impairment may be necessary due to a large number of factors. The main factors involved are changes in the current competition conditions, expectations regarding growth in the IT sector, increases in cost of capital, a change in the future availability of funds, technological obsolescence, the discontinuation of services, current replacement costs, purchase prices paid in similar transactions and other changes affecting the business environment that point to a decrease in value. As a rule, the recoverable amount and fair values are determined using the discounted cash flow method, which incorporates appropriate assumptions by market participants. The identification of factors indicating an impairment, the estimation of future cash flows and the determination of the fair values of assets involve significant estimates that management has to make with regard to the identification and verification of signs of impairment, expected cash flows, appropriate discount rates, respective useful lives and net book values. If the demand for products and services does not develop as expected, this will reduce revenues and cash flows, and may possibly lead to impairment losses in connection with the depreciation of these investments to their fair values. This could have a negative effect on the future earnings situation.

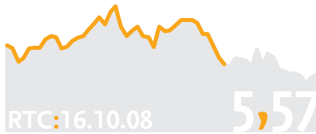
The company’s management forms allowances for doubtful receivables in order to account for the expected losses resulting from customer inability to pay. The factors used by management as a basis for assessing the appropriateness of allowances for doubtful receivables are the due date structure of receivable balances, experience relating to the derecognition of receivables in the past, the creditworthiness of customers and changes to payment terms. If the financial situation of customers worsens, the level of actual derecognition may exceed the expected derecognition level.

Income taxes must be estimated for every tax jurisdiction in which the Group operates. The expected actual income tax must be calculated for each subject of taxation, and the temporary differences resulting from the differences between the IFRS consolidated financial statements and tax-based accounting with regard to the treatment of certain balance sheet items must be assessed. Where temporary differences exist, they give rise to the recognition of deferred tax assets and liabilities in the consolidated financial statements. The company’s management must make estimates when calculating actual and deferred taxes. Deferred tax assets are recognized to the extent that it is probable that they can be utilized. The utilization of deferred tax assets depends on the possibility of obtaining a sufficient level of taxable income in conjunction with the respective tax type and tax jurisdiction, taking account of any legal restrictions regarding the maximum loss carryforward period. When assessing the probability of the future usability of deferred tax assets, various factors such as past earnings, operational planning, loss carryforward periods and tax planning strategies must be taken into account. If the actual results deviate from these estimates, or if these estimates need to be adjusted in future periods, this could have detrimental effects on the company's net assets, financial position and earnings. If the recoverability assessment for deferred tax assets is changed, the level of deferred tax assets recognized must be decreased in the income statement.

Revenues

The revenues of REALTECH AG essentially involve revenues from service contracts, from granting software licenses (usually for a limited period of time) and from the services closely related to this, as well as from maintenance revenues.

Service contracts for which customers are billed on the basis of the hours worked are accounted for depending on the services rendered by the REALTECH companies.



Revenues and expenses resulting from service contracts for which a fixed price has been agreed are accounted for based on the progress of the service (percentage of completion method, "PoC") in accordance with IAS 11 and IAS 18 – if the extent of the revenues can be measured reliably, it is sufficiently probable that the economic benefits associated with the transaction will flow to REALTECH AG, and the costs incurred for the transaction and the costs to complete the transaction can be determined reliably.

Revenues resulting from issuing licenses with no time restriction are not accounted for until a signed contract with the customer exists, any rights of return that have been granted have expired, the software has been provided in accordance with the contract, a price has been agreed or can be determined, and payment is sufficiently probable.

Revenues resulting from the maintenance business are accounted for proportionately over the period during which the service is rendered.

Revenues are presented less discounts, price reductions and customer bonuses.

Costs of revenues

The costs of revenues comprises full production-related costs on the basis of normal capacity utilization. Specifically, the costs of revenues includes individual costs that can be directly attributed to orders – essentially costs for personnel – as well as fixed and variable overheads, for instance depreciation.

Research and development expenses

Research and development expenses are treated as an expense in the income statement when they are incurred. During the process of creating and further developing software, the research and development phases are closely connected. This makes it impossible to precisely distinguish between the expenses involved in the two phases. The criteria for capitalizing separate development expenses in accordance with IAS 38.57 in conjunction with IAS 38.53 are therefore not met. These expenses remain immaterial with regard to their amount.

Notes on the consolidated balance sheet and consolidated income statement

6. Fixed assets

Fixed assets changed as follows:

	Acquisition and manufacturing costs				
	01.01.2008 TEUR	Additions TEUR	Disposals TEUR	Currency translation adjustments TEUR	31.12.2008 TEUR
Concessions, industrial rights and similar rights and assets	2.144	146	0	0	2.290
Goodwill	7.075	0	0	0	7.075
Intangible assets	**9.219**	**146**	**0**	**0**	**9.365**
Property, plant and equipment	10.131	41	33	1	10.140
Technical equipment and machines	185	49	29	17	222
Other equipment and office equipment	8.559	674	208	(118)	8.907
Tangible assets	**18.875**	**764**	**270**	**(100)**	**19.269**
Other financial assets	80	42	0	6	128
Financial assets	**80**	**42**	**0**	**6**	**128**
	28.174	**952**	**270**	**(94)**	**28.762**

	Accumulated depreciation					Net book values	
	01.01.2008 TEUR	Additions TEUR	Disposals TEUR	Currency translation adjustments TEUR	31.12.2008 TEUR	31.12.2008 TEUR	31.12.2007 TEUR
	1.847	115	(2)	0	1.964	326	297
	2.739	0	0	0	2.739	4.336	4.336
	4.586	**115**	**(2)**	**0**	**4.703**	**4.662**	**4.633**
	2.358	350	3	1	2.706	7.434	7.773
	140	33	31	12	154	68	45
	6.850	634	94	(128)	7.262	1.645	1.709
	9.348	**1.017**	**128**	**(115)**	**10.122**	**9.147**	**9.527**
	(5)	1	0	(5)	(9)	137	85
	(5)	**1**	**0**	**(5)**	**(9)**	**137**	**85**
	13.929	**1.133**	**126**	**(120)**	**14.816**	**13.946**	**14.245**

7. Interests in associates

On December 31, 2008, REALTECH AG directly held interests of at least 20% in the following companies:

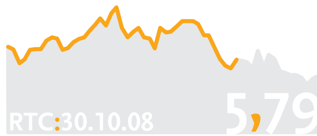
Company name and location	Share of capital %	Equity on 31.12.2008 TEUR	Net income 2008 TEUR
REALTECH System Consulting GmbH, Walldorf, Germany	100,0	26	[1]
REALTECH Sales GmbH, Walldorf, Germany	100,0	24	[1]
DB-Online GmbH, Walldorf, Germany	100,0	163	1
LMC-LAN Management Consulting GmbH, Schweitenkirchen, Germany	100,0	40	[1]
GloBE Technology GmbH, Walldorf, Germany	100,0	240	3
REALTECH Italia S.p.A., Agrate Brianza, Italy	100,0	2.535	352
REALTECH System Consulting, S.L., Madrid, Spain	100,0	1.924	659
REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lissabon, Portugal	100,0	285	81
REALTECH Inc., Malvern, PA, USA	100,0	(126)	(250)
Realtech Ltd., Auckland, New Zealand	100,0	794	(22)
REALTECH System Consulting Pte. Ltd., Singapore	100,0	276	74
REALTECH Japan Co., Ltd., Tokyo, Japan	54,1	853	125

1) A profit and loss transfer agreement exists. Delivery and service relationships exist between the associates.

8. Trade receivables

	31.12.2008 TEUR	31.12.2007 TEUR
Trade receivables	24.523	21.799
Allowances	495	640
	24.028	**21.159**

The trade receivables are due in the short term. This also includes those from production orders. The allowances have been calculated based on past experience of payment defaults. For years, REALTECH customers have been characterized by a high level of creditworthiness, evidenced by a low bad debt rate.



9. Other financial assets (current)

	31.12.2008 TEUR	31.12.2007 TEUR
Advance payments and deposits	219	252
Deferred revenue	153	212
Interest receivable	-	27
	372	491

10. Other assets

	31.12.2008 TEUR	31.12.2007 TEUR
Advance wage and travel cost payments	123	137
Prepaid expenses	393	323
Other	199	-
	715	460

As in the previous year, there were no contingent assets on the balance sheet date.

11. Securities

Excess funds are invested in part in interest-bearing securities, quoted in euros, with short-term or medium-term residual terms or in mutual funds that invest in such assets. The Group classifies these securities as available for sale. There are no trading securities. The securities item is broken down as follows:

	Market value 31.12.2008 TEUR	Unrealized gain 2008 TEUR	Unrealized loss 2008 TEUR
Interest-bearing securities	1.119	-	479

The Group's financial assets primarily comprise bank balances, trade receivables and securities. The credit risk is limited in the case of liquid funds as these have been assigned a high credit rating by international rating agencies. The Group does not have a significant concentration of credit risks as the risks are spread among a large number of contract parties and customers.

12. Equity

Subscribed capital

The company's subscribed capital has been paid in full. The REALTECH AG General Meeting passed a resolution on May 29, 2008 to increase the company's subscribed capital by EUR 20,989,203.48 from EUR 5,260,452.00 to EUR 26,249,655.48 – in the form of a capital increase from business funds by converting part of the additional paid-in capital without issuing new shares – and reduce the thus increased subscribed capital by EUR 20,989,203.48 from EUR 26,249,655.48 to EUR 5,260,452.00 in accordance with the regulations concerning ordinary capital reduction (Section 222 ff of the German Stock Corporation Act) for the purpose of paying it back to shareholders. The reduction was carried out by reducing the arithmetical proportion of subscribed capital allotted to each share. The implementation of the capital increase provisionally increased the proportion of subscribed capital attributable to each individual share from EUR 1.00 to EUR 4.99 per share. However, this amount then decreased by EUR 3.99 to EUR 1.00 per share as a result of the capital reduction.

The decision regarding the capital increase and subsequent decrease was entered in commercial register no. HRB 351488 of the local Mannheim court on June 4, 2008. The capital-related actions and changes to the Articles of Association have thus taken effect. The announcement by the local Mannheim court was made on June 6, 2008.

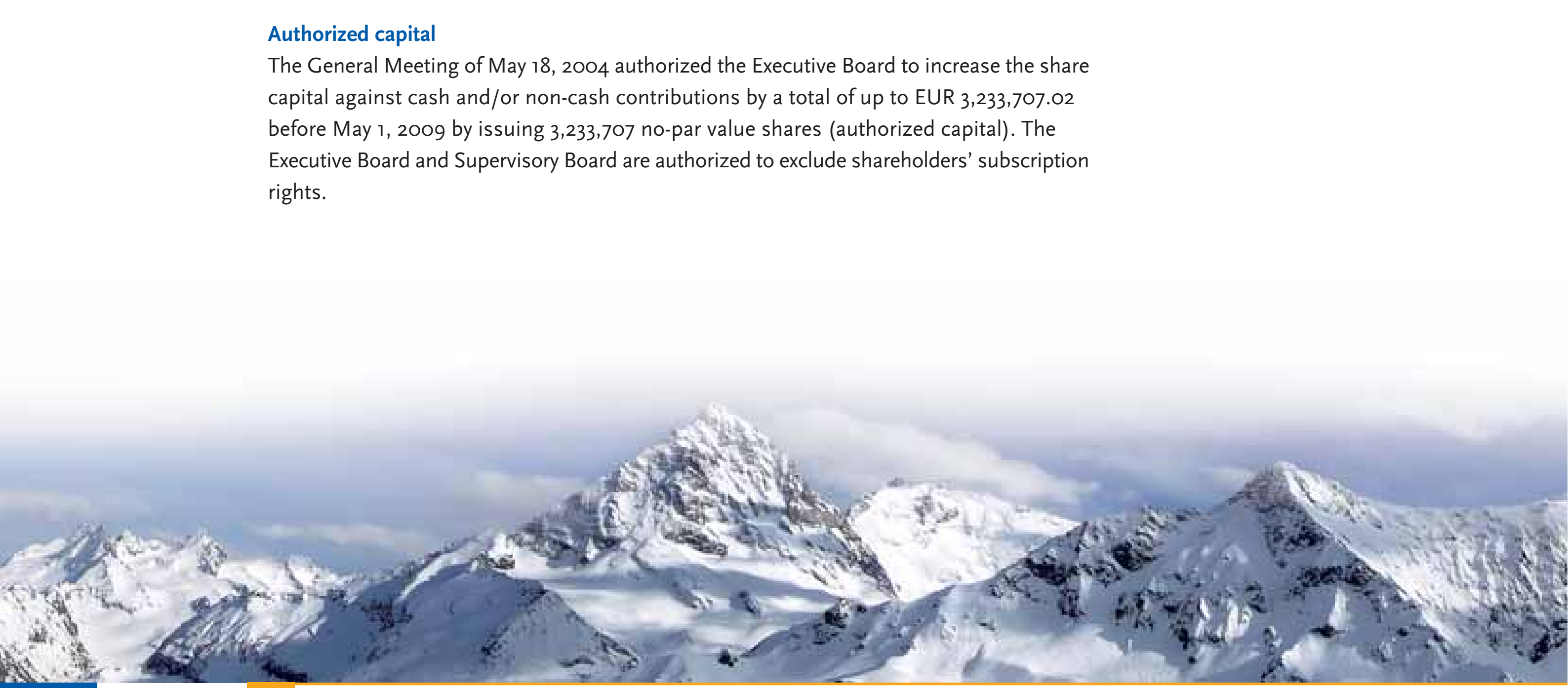
The capital repayment of EUR 3.99 per share was implemented through Clearstream Banking AG, Frankfurt am Main on December 8, 2008, taking account of Section 225 of the German Stock Corporation Act (vesting period). The company's shares were traded "ex capital repayment" on the Frankfurt stock exchange the following day.

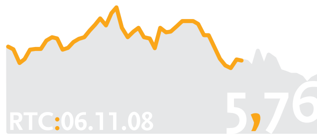
The number of no-par value shares issued as per December 31, 2008 amounted to 5,260,452. As a result of the exercising of conversion rights granted as part of the company's various share-based remuneration programs, the number of shares increased in fiscal year 2008 by 12,000. The nominal value of subscribed capital increased accordingly by EUR 12,000.

The company's subscribed capital on the balance sheet date amounted to EUR 5,260,452.

Authorized capital

The General Meeting of May 18, 2004 authorized the Executive Board to increase the share capital against cash and/or non-cash contributions by a total of up to EUR 3,233,707.02 before May 1, 2009 by issuing 3,233,707 no-par value shares (authorized capital). The Executive Board and Supervisory Board are authorized to exclude shareholders' subscription rights.





Contingently issuable capital
For the purpose of granting shares to the holders of convertible and/or warrant-linked bonds, the General Meeting on May 16, 2002 decided to implement a conditional capital increase of up to EUR 2,598,707.02 by issuing up to 2,046,226 new shares by November 18, 2007.

The company's contingently issuable capital according to the commercial register extract on June 4, 2008 is EUR 289,000.00. The reduction of contingently issuable capital by EUR 9,400.00 due to the expiry of conversion rights in fiscal year 2008 has not yet been entered in the commercial register. The company’s contingently issuable capital on the balance sheet date amounted to EUR 279,600.00 (2,796 bonds each consisting of 100 shares).

Please also refer to the section on the Convertible Bond Program.

Purchase of treasury shares
Based on a resolution passed by the General Meeting on May 29, 2008, the authorization of the Executive Board to purchase treasury shares was extended until November 28, 2009. According to Section 71, paragraph 1 of the German Stock Corporation Act, the company is authorized to purchase treasury shares up to a total of 10% of the share capital of EUR 5,248,452.00. This authorization was not utilized in fiscal year 2008.

Share-based payment
REALTECH AG has set up various stock option and convertible bond programs for Executive Board members, senior executives and other employees in the Group. The expense recorded for services during fiscal year 2008 is EUR 0 thousand (previous year: EUR 70 thousand). This concerns expenses resulting from share-based remuneration transactions with compensation through equity instruments in accordance with IFRS 2.

The assessment is based on an expected volatility of 25.90%. It is assumed that future trends can be derived from historical volatility values, whereby the actual volatility may differ from the assumptions made here. The calculation is based on the Black Scholes formula, applying a risk-free interest rate of 3.93%. The anticipated term of these options is five years. The exercise price is EUR 5.87.

Convertible Bond Program
The conditional capital increase resolved by the General Meeting on May 16, 2002 to issue convertible and/or warrant-linked bonds also entails bonds being issued to company employees and managers – apart from the group of four founding shareholders – as well as to employees and members of the executive boards of companies associated with the company in accordance with Section 15 of the German Stock Corporation Act (Aktiengesetz, AktG).

As in the previous year, no convertible bonds were issued in fiscal year 2008.

In fiscal years 2004 to 2006, convertible bonds were issued with the following conditions:

	2004	2005	2006
Issue date	31.07.2004	18.07.2005	31.07.2006
Face value	1,00 EUR	1,00 EUR	1,00 EUR
Total face value of the convertible bond	1.000 EUR	450 EUR	3.000 EUR
Term	30.07.2009	17.07.2010	30.07.2011
Interest p.a.	5,0 %	5,0 %	5,0 %
Original conversion price	7,00 EUR	6,97 EUR	8,80 EUR
Average closing price	4,95 EUR	5,81 EUR	7,34 EUR
Adjusted conversion price	3,96 EUR	4,65 EUR	5,87 EUR
Issued options	100.000	45.000	300.000
Earliest time of conversion	31.07.2006	18.07.2007	31.07.2008
Latest time of conversion	30.07.2009	17.07.2010	30.07.2011

As described in the "Subscribed capital" section above, the decision was reached at the REALTECH AG General Meeting to increase and subsequently reduce capital for the purpose of repaying an amount of EUR 3.99 per share to shareholders.

As this distribution decreased the company's total assets, the conversion price has been adjusted accordingly (see above table). The lower limit of the adjustment had fallen as a result of the minimum issue price determined by the decision of the General Meeting on May 16, 2002. Here, the General Meeting had decided that the price must not fall more than 20% below the average closing price for REALTECH AG shares in the XETRA electronic trading system on the 10 trading days before the decision to issue convertible bonds was reached.

Issued options

The following table summarizes information about the company's convertible bonds as of December 31, 2008.

Year of issue	Exercise price EUR	Number of exercisable options	Number of outstanding options
2004	3,96	33.000	33.000
2005	4,65	4.500	9.000
2006	5,87	93.600	237.600
		131.100	**279.600**

Development during the fiscal year

The following table indicates the number, weighted average exercise prices (WAEP) and development of the stock options and convertible bonds over the course of the fiscal year:

	2008		2007	
	Number	WAEP EUR	Number	WAEP EUR
Outstanding at the beginning of the reporting period	301.000	8,47	459.000	8,05
Issued in the reporting period	-	-	-	-
Exercised in the reporting period	12.000	6,72	75.000	6,27
Expired in the reporting period	9.400	5,87	83.000	8,14
Outstanding at the end of the reporting period	279.600	5,61	301.000	8,47
Exercisable at the end of the reporting period	131.100	5,35	15.000	6,78

13. Minority interests

The minority interests refer to 45.9% held by third-party shareholders in REALTECH Japan Co., Ltd., Tokyo, Japan, which was founded in collaboration with Nihon Unisys and Microsoft Japan in 2002 and has been fully consolidated since January 1, 2005.

14. Income taxes

The income taxes item shown in the income statement concerns the following:

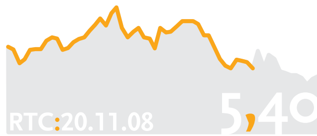
	2008 TEUR	2007 TEUR
Current tax expense	2.704	2.553
Deferred tax expense/(revenue) (net)	(16)	14
Tax expense	**2.688**	**2.567**

The Group's income taxes are reconciled in the following table. The corporation tax rate to be applied amounts to 15% plus the solidarity surcharge of 5.5%. The Group must also make trade tax payments in the amount of 9.8%. This amounts to an expected income tax liability of 25%.

	2008 TEUR	2007 TEUR
Expected tax expense	2.240	2.878
Italian IRAP (corporation tax)	765	524
Measurement difference (domestic)	(206)	(320)
Bewertungsunterschiede Werpapiere	(116)	-
Tax rate difference/measurement differences (abroad)	5	(515)
Income taxes	**2.688**	**2.567**

In fiscal year 2008, an external tax audit was carried out based on REALTECH AG and its German subsidiaries for the years 2002 to 2006. This external audit has been completed. The audit results have been completely incorporated into the annual financial statements as of December 31, 2008, with the exception of an audit result relating to the non-recognition of loan depreciation amounting to EUR 1,812 thousand. Should this give rise to tax receivables, the company reserves the right to take legal action.

Deferred tax assets and liabilities are offset if they concern the same taxation authority. The tax rate used is 25%. This is made up as follows: 15% corporation tax, 5.5% solidarity surcharge and 9.8% trade tax.



Accordingly, they are shown in the balance sheet as follows:

	31.12.2008 TEUR	31.12.2007 TEUR
Deferred tax assets (non-current)	283	304
Deferred tax liabilities (non-current)	481	518

The deferred taxes must be assigned to the various balance sheet items as follows:

	31.12.2008 TEUR	31.12.2007 TEUR
Tax loss carryforwards	36	-
Goodwill	49	119
Other provisions	187	141
Others	11	44
Deferred tax assets (non-current)	**283**	**304**

	31.12.2008 TEUR	31.12.2007 TEUR
Fixed assets	325	317
Securities	-	192
Production orders	40	9
Others	116	-
Deferred tax liabilities (non-current)	**481**	**518**

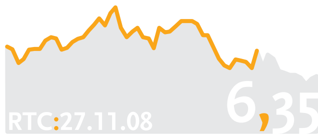
Deferred tax liabilities are essentially based on differences in the measurement of property, plant, and equipment, especially in the case of buildings.

15. Provisions

Provisions changed as follows in the year under review:

	01.01.2008 TEUR	Usage/ write-back TEUR	Allocation TEUR	31.12.2008 TEUR
Provisions for employees	2.263	988	983	2.258
Vacation provisions	1.814	1.195	837	1.456
Bonuses and revenue participation	3.545	3.545	4.043	4.043
Legal and consulting charges	218	218	273	273
Outstanding incoming invoices	242	196	197	243
Salaries and severance payments	184	184	171	171
Others	296	224	327	399
	8.562	**6.550**	**6.831**	**8.843**

In accordance with legal regulations, a provision for EUR 1,395 thousand has been established in the provisions for employees (previous year. EUR 1,456 thousand). The provision is measured in the amount of one month's wages per year of employment.



16. Liabilities

The residual terms and collateralization of liabilities can be seen in the following overview:

	Residual term				
	Up to 1 year 31.12.2008 TEUR	More than 1 year 31.12.2008 TEUR	Total 31.12.2008 TEUR	Type of collateralization TEUR	Up to 1 year 31.12.2007 TEUR
Trade payables	2.336	-	2.336	Usual retention of title	2.186
Other financial liabilities	126	-	126	-	25
Other liabilities	4.398	-	4.398	-	5.027
in the context of social security	190	-	190	-	142
	6.860	-	6.860	-	7.238

Other liabilities include value added tax, withholding tax and payroll tax liabilities amounting to EUR 1,703 thousand (previous year: EUR 1,373 thousand).

As in the previous year, there were no contingent assets on the balance sheet date.

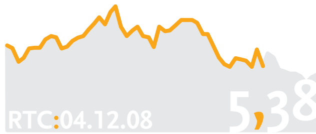
17. Revenues

The sales revenues item shows the fees charged to customers for deliveries and services minus sales deductions and discounts. The breakdown of sales revenues by business areas is determined from segment reporting.

18. Segment reporting

Segment reporting at the REALTECH Group is carried out in accordance with IAS 14. IFRS 8 Segment Reporting is applicable as of January 1, 2009. Segmentation is based on internal Group control and reporting, in accordance with the products and services it offers. These financial statements define the consulting and software business segments as the primary report format for segment reporting. The unallocated income and expenses particularly concern expenses for rent and leasing as well as rental income. The item of unallocated corporate assets primarily includes cash and cash equivalents, while the deferred tax liabilities are presented as unallocated liabilities.

	Consulting		Software	
	31.12.2008 EUR	31.12.2007 EUR	31.12.2008 EUR	31.12.2007 EUR
External revenue	**54.049.493**	**49.801.131**	**16.773.444**	**13.951.243**
Costs of revenues	40.040.622	36.225.667	3.875.740	2.383.338
Selling and marketing expenses	5.216.903	4.729.186	3.943.514	3.284.159
General and administrative expenses	5.597.251	5.547.962	1.457.371	1.215.260
Research and development expenses			4.621.663	4.557.405
Segment income	**3.194.717**	**3.298.316**	**2.875.156**	**2.511.081**
Unallocated expenses and income				
Operating income				
Interest expense				
Interest income				
Income from financial investments and securities				
Foreign Currency exchange gains/(losses)				
Income before taxes and minority interests				
Income taxes	1.414.628	1.457.158	1.273.126	1.109.367
Minority interests				
Net income				
Segment assets	24.437.602	22.259.668	10.621.536	9.384.254
Unallocated corporate assets				
Consolidated assets				
Segment liabilities	12.710.862	13.428.173	4.013.956	3.787.433
Unallocated corporate liabilities				
Consolidated liabilities				
Investments	615.987	862.067	194.522	243.147
Depreciation	769.772	772.372	243.086	217.848
Non- cash expenses other than depreciation	1.141.027	1.321.752	360.324	372.802



The figures in the following overviews have been taken from internal reporting, used by the company's essential decision-makers for management purposes. This is based on the International Financial Reporting Standards, as applied for the REALTECH Group. Revenue is allocated to segments and regions on the basis of the unit generating the revenue.

	Total		Group	
	31.12.2008 EUR	31.12.2007 EUR	31.12.2008 EUR	31.12.2007 EUR
	70.822.937	**63.752.375**	**70.822.937**	**63.752.375**
	43.916.362	38.609.005	43.916.362	38.609.005
	9.160.417	8.013.345	9.160.417	8.013.345
	7.054.622	6.763.222	7.054.622	6.763.222
	4.621.663	4.557.405	4.621.663	4.557.405
	6.069.873	**5.809.397**	**6.069.873**	**5.809.397**
			956.279	800.769
			7.026.152	**6.610.166**
			15.443	5.554
			550.505	656.122
			975.862	51.225
			(39.798)	(98.684)
			8.497.278	**7.213.274**
	2.687.754	2.566.525	2.687.754	2.566.525
			106.362	94.509
			5.703.161	**4.552.240**
	35.059.137	31.643.921	35.059.137	31.643.921
			10.887.809	32.713.493
			45.946.946	**64.357.414**
	16.724.818	17.215.606	16.724.818	17.215.606
			817.173	518.259
			17.541.991	**17.733.865**
	810.509	1.105.214	810.509	1.105.214
	1.012.858	990.220	1.012.858	990.220
	1.501.352	1.694.554	1.501.352	1.694.554

	External revenue		Net book value segment assets		Investments in intangible assets and intangible assets	
	2008 TEUR	2007 TEUR	31.12.2008 TEUR	31.12.2007 TEUR	2008 TEUR	2007 TEUR
Germany	30.412.763	27.037.983	21.994.701	42.418.943	422.585	789.952
Rest of Europe	30.769.287	25.915.976	19.046.285	16.801.785	316.888	289.319
USA	3.130.154	3.231.767	917.551	1.223.654	21.059	19.935
Asia-Pacific	6.510.734	7.566.649	3.988.409	3.913.032	49.977	6.008
	70.822.937	**63.752.375**	**45.946.946**	**64.357.414**	**810.509**	**1.105.214**
of which non-current			13.530.872	13.875.711		
of which Germany			10.636.019	11.128.261		
of which other countries			2.894.853	2.747.450		

19. Other operating expenses

This item essentially contains expenses for rent and leasing.

20. Other operating income

The other operating income particularly involves rental income.

21. Net interest

Net interest essentially consists of interest income for fixed-term deposits and interest-bearing securities. Interest income amounted to EUR 551 thousand (previous year: EUR 656 thousand). Interest expense was EUR 15 thousand (previous year: EUR 6 thousand).

In addition, the net income includes price increases resulting from selling securities.

OTHER INFORMATION

22. Consolidated statements of cash flows

The consolidated statements of cash flows is prepared in accordance with IAS 7 and, separated into cash inflows and outflows, shows the development of cash flows generated from operating, investing and financing activities. The cash flow is determined, using the indirect method, from the consolidated financial statements of REALTECH AG.

The cash involved in the cash flow statement comprises all cash and cash equivalents presented in the balance sheet, i.e. cash in hand, checks and bank balances (provided they are available within three months). The cash is not subject to any restrictions.

23. Earnings per share

According to IAS 33, earnings per share are determined from the consolidated earnings after tax and the average number of outstanding shares during the year. Convertible bond programs in 2002 to 2006 gave rise to the following dilution effects:

	2008	2007
Income before minority interests	5.809.524 EUR	4.646.749 EUR
Minority interests	106.362 EUR	94.509 EUR
Net income	5.703.161 EUR	4.552.240 EUR
Average number of shares outstanding – basic	5.255.952 Stück	5.248.452 Stück
Average number of shares outstanding – diluted	5.535.552 Stück	5.549.452 Stück
Earnings per share – basic	1,08 EUR	0,87 EUR
Earnings per share – diluted	1,03 EUR	0,82 EUR

The dilution effect results from the conversion rights for bonds.

24. Personnel expenses

Personnel expenses in fiscal year 2008 amounted to EUR 42,705 thousand, compared to EUR 37,662 thousand the previous year. This 13% increase can be essentially attributed to the 15% rise in the number of employees between the two balance sheet dates.

25. Other financial obligations

Other financial obligations from rent and leasing agreements amount to EUR 12,886 thousand (previous year: EUR 13,478 thousand). These are presented in the following overview:

	TEUR
2009	3.175
2010	2.320
2011	1.886
2012	1.470
2013	1.731
2014 and following years	2.304
	12.886

Rental and leasing expenses were EUR 1,891 thousand in the year under review (previous year: EUR 1,771 thousand). Please refer to point 27, Special-purpose entity.

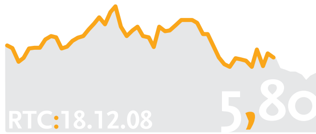
26. Financial instruments and notes on capital management

Assets by class

Financial assets consist of the following classes:

	31.12.2008			31.12.2007		
	Current TEUR	Non-current TEUR	Total TEUR	Current TEUR	Non-current TEUR	Total TEUR
Assets available for sale	1.119	-	1.119	18.180	-	18.180
thereof outside capital	1.119	-	1.119	18.180	-	18.180
Other financial assets (at amortized cost)	29.717	137	29.854	31.536	85	31.621
	30.836	**137**	**30.973**	**49.716**	**85**	**49.801**

Financial assets are defined as being current if they have a residual term of up to one year.



Carrying amounts and fair values

The following table presents the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price at which a party would take on the rights and/or obligations involved in the financial instrument from an independent second party. In view of varying influencing factors, the fair values presented should only be viewed as an indication of the values that could actually be realized on the market.

	31.12.2008		31.12.2007	
	Net book value TEUR	Current market value TEUR	Net book value TEUR	Current market value TEUR
Other financial assets (non-current)	137	137	85	85
Trade receivables	24.028	24.028	21.159	21.159
Other financial assets (current)	372	372	491	491
Securities	1.119	1.119	18.180	18.180
Cash and cash equivalents	5.317	5.317	9.886	9.886
	30.973	**30.973**	**49.801**	**49.801**

	31.12.2008		31.12.2007	
	Net book value TEUR	Current market value TEUR	Net book value TEUR	Current market value TEUR
Trade accounts payable	2.336	2.336	2.186	2.186
Other financial liabilities (current)	126	126	25	25
	2.462	**2.462**	**2.211**	**2.211**

No restructuring took place in fiscal year 2008. No securities were surrendered from the above assets. The fair value was determined using balance notifications from banks. The transmitted data represents the value that can be realized on the balance sheet date.

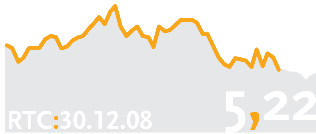
Specification of financial instruments by IAS 39 measurement categories

	31.12.2008 TEUR	31.12.2007 TEUR
Financial instruments measured at amortized cost		
Other financial assets (non-current)	137	85
Trade receivables	24.028	21.159
Other financial assets (current)	372	491
Cash and cash equivalents	5.317	9.886
	29.854	**31.621**

	31.12.2008 TEUR	31.12.2007 TEUR
Assets available for sale		
Securities	1.119	18.180

Excess funds are invested in part in interest-bearing securities, quoted in euros, with short-term or medium-term residual terms or in mutual funds that invest in such assets. The Group classifies these securities as available for sale. These items are measured on the balance sheet date at market value, with value changes being offset against equity with no effect on profit or loss. In the year under review, these amounted to minus EUR 648 thousand (previous year: EUR 142 thousand). There are no trading securities.

	31.12.2008 TEUR	31.12.2007 TEUR
Financial liabilities measured at cost		
Trade accounts payable	2.336	2.186
Other financial liabilities	126	25
	2.462	**2.211**



Net profits or losses

The following table presents the net profits and losses arising from financial instruments included in the income statement:

2008	Interest income	Interest expense	Depreciation	Others
Financial instruments measured at amortized cost	551	15	145	-
Assets avaible for sale	-	-	-	976
Financial liabilities measured at cost	-	-	-	-

The EUR 976 thousand entail price increases resulting from securities. EUR 169 thousand was recycled in fiscal year 2008.

2007	Interest income	Interest expense	Depreciation	Others
Financial instruments measured at amortized cost	655	6	193	-
Assets avaible for sale	-	-	-	-
Financial liabilities measured at cost	-	-	-	-

Financial risks

The Group's main risks involve credit risks based on possible bad debts, liquidity risks and market risks, which essentially consist of currency and interest-rate risks.

Currency and interest-rate 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.

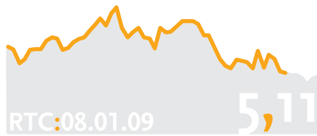
As a proportion of revenue, 86% of the Group's business activities are in the euro region (previous year: 83%). Changes in exchange rates for the other Group currencies (USD, NZD, SGD and JPY) would therefore only have a minor effect on the Group's financial situation.

As during the previous year, the REALTECH Group did not have any net financial liabilities during fiscal year 2008. For this reason, we have refrained from presenting potential interest risks using a sensitivity analysis in accordance with IFRS 7.

Credit risks

Trade receivables have the following age structure:

	31.12.2008 TEUR	31.12.2007 TEUR
Total	24.028	21.159
not yet due	14.132	13.098
0 to 29 days	5.482	4.080
30 to 59 days	1.696	1.680
60 to 89 days	966	808
90 to 120 days	1.024	640
more than 120 days	728	853
Specific allowance for bad debts	419	533



The value of the specific allowance for bad debts is established based on the assessment of the individual risk for each individual receivable. Due to the fact that no REALTECH customer accounts for more than 6% of revenue, the liability and credit risks for the Group are negligible.

Liquidity risks

Presentation based on the due date (liquidity date) of the individual financial liability items:

	Residual term			
	31.12.2008		31.12.2007	
	Up to 1 Year TEUR	More than 1 Year TEUR	Up to 1 Year TEUR	More than 1 Year TEUR
Trade accounts payable	2.336	-	2.186	-
Other financial liabilities	126	-	25	-
	2.462	**-**	**2.211**	**-**

The Group monitors ability to pay based on daily calculations of liquidity status, supplemented by daily updating of liquidity planning.

Derivative financial instruments

The company does not have any derivative financial instruments.

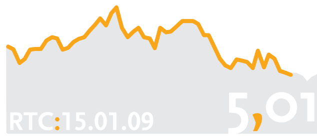
Notes on capital management

The primary goal of the Group's capital management is to ensure that its ability to pay debts and its financial substance are retained in the future.

One key indicator in capital management is gearing, which puts net financial liabilities in proportion to equity according to the consolidated balance sheet. REALTECH uses net financial liabilities as a key indicator for investors and analysts. As this indicator is not covered by the IFRS accounting rules, the way in which it is defined and calculated may differ from the practice at other companies. On December 31, 2008, the company's gearing amounted to minus 0.53 (previous year: minus 0.70):

	31.12.2008 TEUR	**31.12.2007 TEUR**
Trade accounts payable	2.336	2.186
Income tax payable	1.068	1.415
Provisions	8.843	8.562
Other financial liabilities (current)	126	25
Other liabilities	4.398	5.027
Gross financial liabilities	**16.771**	**17.215**
Trade receivables	24.028	21.159
Income tax receivables	698	212
Other financial assets (current)	372	491
Other assets	715	460
Securities	1.119	18.180
Cash and cash equivalents	5.317	9.886
Net financial liabilities	**(15.478)**	**(33.173)**
Equity according to consolidated balance sheet	**29.226**	**47.203**

A capital repayment of EUR 20,989 thousand was made in the fiscal year 2008.



27. Special-purpose entity

The second part of REALTECH's administrative building in Walldorf, the property in Industriestrasse 41, was constructed by PUDU Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Walldorf KG, Düsseldorf. As part of a property leasing agreement, REALTECH has rented the building for a period of 15 years. The rental period began on June 1, 2002. The company has a right to acquire the building. PUDU Grundstücks-Vermietungsgesellschaft is a special-purpose entity as defined by SIC 12.

As a result of applying the interpretation to this company, the REALTECH Group is not considered to be the company's primary beneficiary. The Group's obligations in connection with the leasing agreement are part of the minimum rent payments from leasing agreements listed under "Other financial obligations". As at December 31, 2008 these amounted to EUR 5,662 thousand up to the end of the term of the agreement. No other obligations or risks of loss resulted from the leasing agreement with PUDU Grundstücks-Vermietungs-gesellschaft.

28. Bodies of the company

Supervisory Board

Daniele Di Croce (Chairman)
Management consultant

Peter Stier (Deputy Chairman)
Entrepreneur

Rainer Schmidt
Entrepreneur

Executive Board

Nicola Glowinski (Chairman)

Dr. Rudolf Caspary (Technology)

29. Remuneration of the Executive and Supervisory Boards

Remuneration received by the Executive Board in fiscal year 2008 totaled EUR 900 thousand (compared to EUR 1,502 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 446 thousand (previous year: EUR 462 thousand), while variable remuneration totaled EUR 454 thousand (previous year: EUR 933 thousand). There was no share-based remuneration in 2008 (previous year: EUR 107 thousand). As in 2007, no options were granted in fiscal year 2008. In accordance with the decision of the General Meeting on May 16, 2006, this remuneration is not specified separately for the various individuals (Section 286, paragraph 5 of the German Commercial Code).

Remuneration received by the Supervisory Board in fiscal year 2008 totaled EUR 81 thousand (previous year: EUR 124 thousand). The fixed portion was EUR 45 thousand (previous year: EUR 45 thousand), while variable remuneration (including attendance fees and travel expenses) amounted to EUR 36 thousand (previous year: EUR 79 thousand).

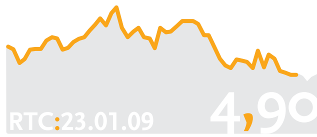
30. Directors' dealings

Changes in numbers of REALTECH shares held by members of the Executive Board of REALTECH AG in fiscal year 2008 can be seen in the following table:

	Dr. Rudolf Caspary	Nicola Glowinski
On January 1, 2008	29.000	37.000
Additions	-	-
Disposals	-	-
On December 31, 2008	**29.000**	**37.000**

Changes in numbers of REALTECH convertible bonds held by members of the Executive Board of REALTECH AG in fiscal year 2008 can be seen in the following table:

	Dr. Rudolf Caspary	Nicola Glowinski
On January 1, 2008	49.000	88.000
Additions	-	-
Disposals	-	-
On December 31, 2008	**49.000**	**88.000**



Changes in numbers of REALTECH shares held by members of the Supervisory Board of REALTECH AG in fiscal year 2008 can be seen in the following table:

	Daniele Di Croce	Rainer Schmidt	Peter Stier
On January 1, 2008	885.500	765.500	745.500
Additions	-	-	-
Disposals	-	-	-
On December 31, 2008	**885.500**	**765.500**	**745.500**

As in the previous year, the members of the Supervisory Board did not hold any REALTECH convertible bonds in fiscal year 2008.

31. Related party disclosures

According to IAS 24, individuals or companies which control the REALTECH Group or are controlled by the Group must be disclosed if they are not already included in REALTECH AG's consolidated financial statements as a consolidated company. Control is considered to exist if a shareholder holds more than half of voting rights in REALTECH AG or if, in accordance with provisions in the Articles of Association or contractual agreements, is able to steer the financial and business policies of REALTECH AG's management.

In addition, the disclosure obligation according to IAS 24 covers transactions with associates and with individuals who exercise a significant influence over the financial and operational decisions of the REALTECH Group, including close family members and intermediary companies.

Here, a significant influence over the financial and business policies of the REALTECH Group may be based on an interest in REALTECH AG of 20% or more, a place on the Supervisory Board or Executive Board of REALTECH AG, or some other key management position.

In fiscal year 2008, no companies of the REALTECH Group performed transactions that require reporting with members of the Supervisory or Executive Boards (see 28.) of REALTECH AG or with other members of management in key positions or companies in which these individuals are represented on management or supervisory committees (with the exception of the transactions specified under 29. and 30.). This is also true of the close family of this group of individuals.

32. Employees

The REALTECH Group counted a total of 721 employees on December 31, 2008, while the figure on December 31, 2007 was 629. As an annual average, the company employed 691 people in 2008, and 603 the previous year.

33. Auditor fees in accordance with Section 314, paragraph 1, point 9 of the German Commercial Code (Handelsgesetzbuch, HGB)

The remuneration received by Grant Thornton GmbH and RWS GmbH (a network company) in fiscal year 2008 was EUR 62 thousand for auditing (previous year: EUR 64 thousand) as well as EUR 21 thousand for tax consulting services (previous year: EUR 10 thousand). This has been presented as expense. The company did not draw on any further consulting services or other services as defined in Section 314, paragraph 1, points 9b) and 9d) of the German Commercial Code.

34. Data in accordance with Section 160, paragraph 1, point 8 of the Stock Corporation Act (Aktiengesetz, AktG)

As in the previous year, no reports on the existence of interests were submitted to REALTECH AG in fiscal year 2008.

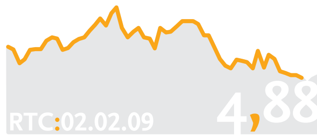
35. Declaration with respect to the German Corporate Governance Code in accordance with Section 161 of the Stock Corporation Act

On November 27, 2008 the Executive and Supervisory Boards submitted their seventh compliance declaration in accordance with Section 161 of the Stock Corporation Act and made it permanently available to shareholders on the company's Web site.

Balance sheet oath

Responsibility statement by the Executive Board:
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 net assets, financial position and earnings 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.

Walldorf, February 27, 2009
REALTECH AG
The Executive Board



Auditors` Opinion

Unqualified Auditors` Opinion on Statutory Audits of Consolidated Financial Statements Prepared Pursuant to Section 315a HGB (German Commercial Code) that Comply with Full IFRS

We have audited the consolidated financial statements prepared by the REALTECH AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2008 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, Paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a, Paragraph 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) and full IFRS and give the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Heidelberg, February 27, 2009

Grant Thornton GmbH
Wirtschaftsprüfungsgesellschaft

Wettig
Wirtschaftsprüfer

Gerstlauer
Wirtschaftsprüfer