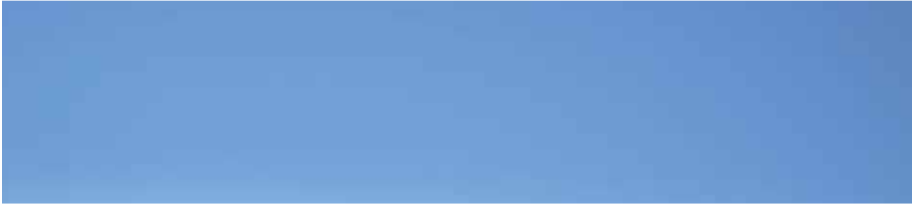


Annual Report 2008

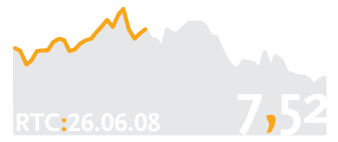




THE TEAM SPIRIT.

KIBO / Kilimanjaro

Kilimanjaro is a Swahili word meaning “mountain of the evil spirit”. There are numerous routes to the summit, which mostly differ in terms of the quality of infrastructure. This is the most straightforward of the Seven Summits and poses hardly any technical difficulties, as the main route up Kilimanjaro is a hiking trail – albeit up to a height of nearly 6,000 meters. Despite this, the extreme change of climate from tropical to arctic puts a strain on the circulatory system that shouldn't be underestimated and has been the downfall of many a poorly prepared mountaineer.



Africa



Name	Kibo
Elevation	5.892m
Location	Tanzania, Eastern Africa
Range	Kilimanjaro-Massif
Coordinates	3° 3' 54" S, 37° 21' 33" W
First ascent	1889, L. Purtscheller, H.Meyer





Management Report

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

OVERALL AND INDUSTRY-SPECIFIC ECONOMIC DEVELOPMENT

REALTECH AG is an international enterprise with its core markets in Germany, Spain and Italy. A key factor for business success is the general economic situation, which since mid 2008 has been affected by the spreading financial crisis. These initial signs of a worldwide economic crisis were further intensified over the subsequent months. In view of the effects of the financial crisis on economic development, economists at the International Monetary Fund (IMF) anticipate a global economic growth rate of just 0.5 percent for 2009, compared to 3.4 percent in 2008.

Bearing in mind the overall economic prospects, the expectations for development in the IT sector in 2009 remain comparatively robust. According to the data of the renowned market research and consulting company Gartner, international IT expenditure in 2008 exceeded USD 3.4 trillion. However, analysts expect only very little growth in the IT market in 2009. They believe that worldwide IT budgets will at best increase by 2.3 percent and at worst decrease by 2.5 percent.

After being established in 1994, REALTECH succeeded in making a name for itself in the highly competitive IT consulting market as a partner for companies of all sizes, in all industries. Over the last few years, the Walldorf-based IT service provider has transformed itself from a specialist for technical SAP expertise into a strategic consulting partner for business processes and projects of strategic significance, and has successfully established itself in this high-margin market segment. In the area of SAP technology and strategy consulting, REALTECH remains a reliable partner for its customers in IT optimization, consolidation and operation.

Alongside the consulting segment, REALTECH also has a second core area: developing software products that are closely aligned with the challenges faced by customers. REALTECH's theGuard! software family enables organizations to automate their IT services.

REALTECH has in recent years clearly demonstrated that this portfolio puts it in a good position in its various markets. In addition, countless customer interviews show that the services, solutions and products supplied by the Walldorf-based IT specialist meet the requirements of both medium-sized companies and large corporations.



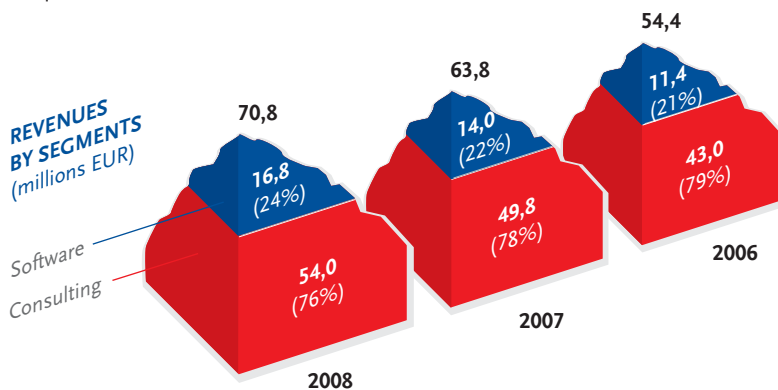
The REALTECH Group was recording the highest Increase of revenue in fiscal year since the company was founded.



FINANCIAL SITUATION

Group business development

The REALTECH Group increased its **revenues** by 11 percent in fiscal year 2008 (previous year: 17 percent) from EUR 63,752 thousand to EUR 70,823 thousand, therefore recording the highest figure since the company was founded. Both business areas played a role here: **Consulting revenue** increased 9 percent (previous year: 16 percent) from EUR 49,801 thousand to EUR 54,050 thousand, meaning that the consulting segment brought in 76 percent (previous year: 78 percent) of Group revenue. **Revenue from in-house software development**, in the form of licenses, maintenance and supplementary services, rose 20 percent (previous year: 22 percent) from EUR 13,951 thousand to EUR 16,773 thousand. With revenues of EUR 14,237 thousand (previous year EUR 13,573 thousand) in consulting and EUR 5,243 thousand (previous year: EUR 4,507 thousand) in the case of software, each of the two segments reported revenue at a record level in the fourth quarter of 2008.



The **costs of revenues** increased in the year under review by 14 percent from EUR 38,609 thousand to EUR 43,916 thousand. Based on revenue, the figure rose slightly from 61 percent to 62 percent.

This resulted in an increase in **gross profit** from EUR 25,143 thousand to EUR 26,907 thousand, or by 7 percent. Relative to revenue, the figure fell from 39 percent to 38 percent.

Selling and marketing expenses increased by 14 percent from EUR 8,013 thousand to EUR 9,160 thousand, thus representing 13 percent of revenue as in the previous year.

General and administrative expenses, at EUR 7,055 thousand, were 4 percent higher than in the previous year (EUR 6,763 thousand). At the same time, however, these expenses fell from 11 percent to 10 percent as a proportion of revenue.

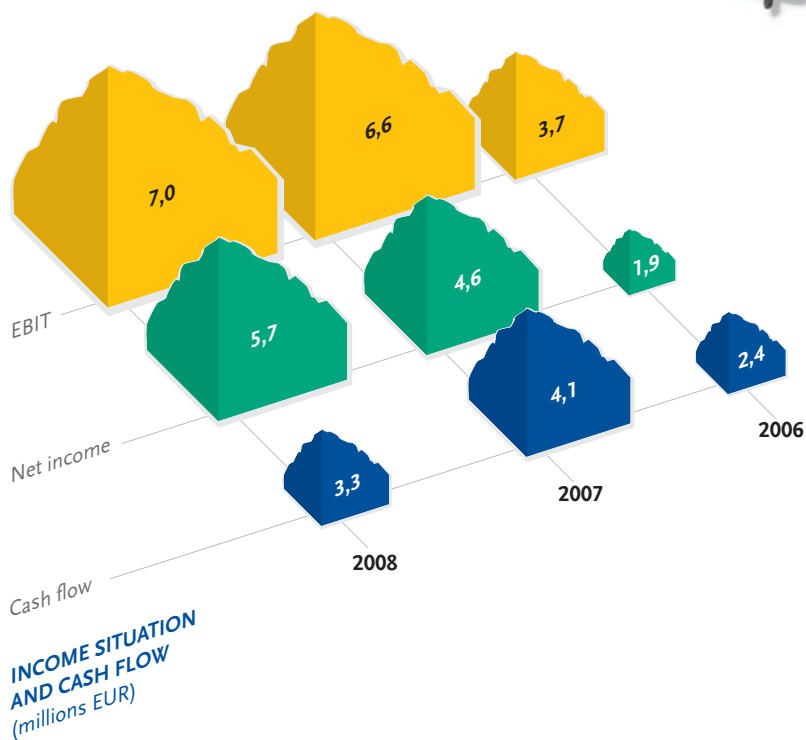
Research and development expenses, at EUR 4,622 thousand, remained on a par with the figure for the previous year (EUR 4,557 thousand). As a proportion of revenue, these expenses remained stable at 7 percent.

Operating income (EBIT) increased by 6 percent from EUR 6,610 thousand to EUR 7,026 thousand in 2008, while the EBIT margin remained at the previous year's level of 10 percent. **EBITDA** improved by 6 percent from EUR 7,600 thousand to EUR 8,039

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 3,195 thousand (previous year: EUR 3,298 thousand), while

the software segment, at EUR 2,875 thousand (previous year: EUR 2,511 thousand), recorded positive earnings from operations for the third time, following its first positive figure in 2006.

Net interest decreased – essentially as a result of the capital repayment of EUR 3.99 per share – from EUR 651 thousand to EUR 535 thousand. As a further result of this distribution of capital repayment,



income from financial investments and securities increased from EUR 51 thousand to EUR 976 thousand, as the Group liquidated investments to finance the capital repayment. Mainly as a result of the rise in the Japanese yen and the renewed firmness of the US dollar compared to the euro, the **foreign currency exchange loss**, at EUR 40 thousand, was lower than that in the previous year (EUR 99 thousand).

Income taxes amounted to EUR 2,688 thousand, up from EUR 2,567 thousand in 2007. This includes EUR 2,704 thousand (previous year: EUR 2,553 thousand) of actual tax expense and EUR 16 thousand deferred tax revenue (previous year: EUR 14 thousand deferred tax expense). The effective tax rate fell from 36 percent in the previous year to 32 percent.

Net income improved disproportionately, increasing by 25 percent from EUR 4,552 thousand to EUR 5,703 thousand in 2008. Based on the undiluted number of 5,260,452 shares on the end-year key date, this amounts to **earnings per share** of EUR 1.08 (previous year: EUR 0.87 at 5,248,452 shares).

Business development of REALTECH AG

In its function as parent company, REALTECH AG manages various interests in other companies. The company essentially constitutes a management holding. REALTECH AG has a direct interest of 100 percent in most of its subsidiaries. The only exception is REALTECH Japan Co. Ltd., in which the holding has a direct interest of 54.1 percent (please also refer to 7. Interests in associates in the Notes to the Consolidated Financial Statements). The carrying amount **investments in affiliated companies** on the balance sheet date amounted to EUR 27,570 thousand, as in the previous year, while **loans to affiliated companies** stood at EUR 5,015 thousand (previous year: EUR 4,515 thousand).

On December 31, 2008, REALTECH AG recorded **receivables due from related parties** of EUR 12,179 thousand (previous year: EUR 13,334 thousand) and **accounts payable to affiliated companies** of EUR 771 thousand (previous year: EUR 401 thousand). In the year under review, the holding recorded a **net income** of EUR 4,057 thousand (previous year: EUR

REALTECH AG's Executive and Supervisory Boards will propose the distribution of a dividend of EUR 0.50 per share for fiscal year 2008.

2,525 thousand). This increase in net income compared to the year before can be attributed to an increase in profit transfers as well as proceeds from securities transactions. On average, REALTECH AG employed 18 people (previous year: 17).

Business development in the various regions

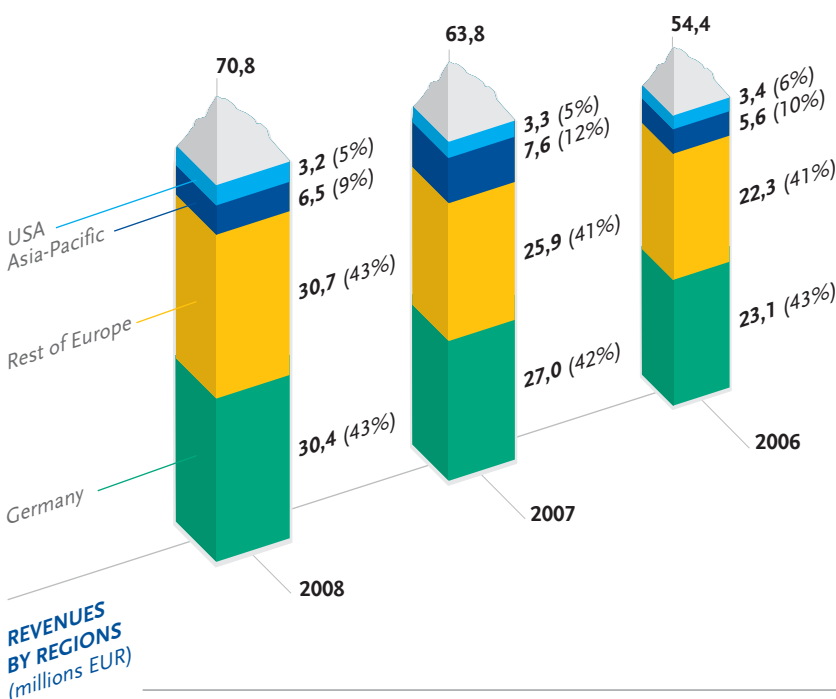
Two regions in which REALTECH operates recorded an increase in revenue in fiscal year 2008, whereas two other regions each recorded a slight drop in revenue. Revenues recorded in Germany increased 13 percent year on year (previous year: 17 percent) from EUR 27,038 thousand to EUR 30,413 thousand, increasing slightly to 43 percent as a proportion of Group revenue (previous year: 42 percent). Revenues recorded in other countries amounted to EUR 40,410 thousand, therefore representing 57 percent of total revenue compared to 58 percent the year before (EUR 36,714 thousand). The 10 percent increase (previous year: 17 percent) was achieved solely by the Region Rest of Europe.

The region Rest of Europe expanded its revenues by 19 percent (previous year: 16 percent) from EUR 25,916 thousand to EUR 30,769 thousand, a development that is in particular due to the 30 percent increase in revenue in Spain.

Revenues were up 13 percent in Italy, whereas a 12 percent decrease in revenue compared to the previous year was recorded in Portugal. The proportion of Group revenue recorded in region Rest of Europe increased from 41 percent to 43 percent.

The USA region recorded revenue of EUR 3,130 thousand, which corresponds to a 3 percent decline compared to the previous year (EUR 3,232 thousand). This region's contribution towards Group revenue therefore fell from 5 percent to 4 percent. An even greater decrease was reported in the Asia-Pacific region, where revenues of EUR 6,511 thousand were recorded – 14 percent less than a year previously (EUR 7,566). The proportion of Group revenue recorded decreased from 14 percent to 9 percent.

Income growth was positive both in Germany and in the region Rest of Europe. In Germany, gross profit was up 12 percent. This included a 4 percent increase in the gross profit margin in the consulting segment and a 17 percent increase in the software segment. In the area of research and development, expenses were up 2 percent compared to the year before, while expenses in sales and distribution rose





A customer survey has shown that 97 percent of customers are “satisfied”, if not “highly satisfied”, with our performance.

to the year before, while expenses in sales and distribution rose by 10 percent. Administrative expenses decreased by 2 percent year on year. As a result of the situation described, the German REALTECH companies recorded a 39 percent increase in EBIT to EUR 4,514.

The region Rest of Europe excluding Germany succeeded in increasing its profitability in terms of EBIT by 6 percent to EUR 2,295 thousand. Two of the three REALTECH subsidiaries in this region, namely Italy and Spain, contributed towards this. Income from operations in the USA region decreased from EUR 221 thousand to minus EUR 301 thousand. The Asia-Pacific region recorded an EBIT figure of EUR 518 thousand, which constitutes a reduction of 47 percent (previous year: EUR 979 thousand). Japan recorded a slight improvement in income from operations, whereas EBIT was lower for both New Zealand and Singapore.

■ Appropriation of net profits

REALTECH AG’s 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 4,516 thousand, following on from EUR 3,089 thousand in 2007. 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 2008 from the company’s net profit. The two committees passed these resolutions on February 16, 2009. The General Meeting is scheduled to be held in Wiesloch on May 19, 2009.

■ Investment and financing

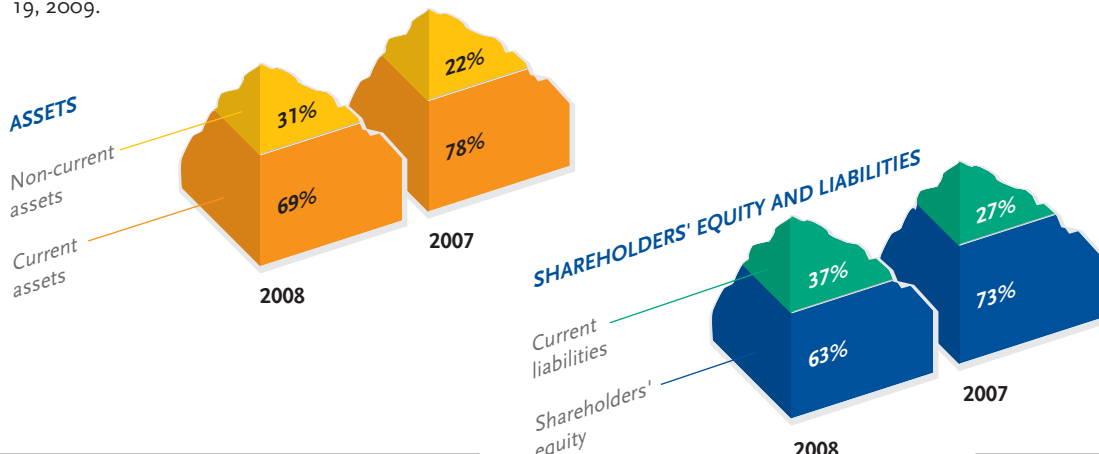
The REALTECH Group reported **cash flow from operating activities** of EUR 3,314 thousand in the year under review, compared to EUR 4,047 thousand in 2007. This development can essentially be attributed to the reduction in the level of other liabilities. The lower figure is related to the capital reduction amounting to EUR 1,411 thousand that was decided on at the General Meeting on May 22, 2007 and paid out to shareholders on February 14, 2008.

Cash flow from investing activities in 2008 amounted to EUR 15,668 thousand, having been minus EUR 4,903 thousand the year before. This increase can particularly be attributed to the cash distribution decided on by the General Meeting on May 29, 2008 and carried out on December 8, 2008.

Cash flow from financing activities decreased from minus EUR 2,231 thousand to minus EUR 23,551 thousand. This was also primarily caused by the capital increase from business funds, with a subsequent ordinary capital reduction, decided on at the General Meeting on May 29, 2008.

■ Principles and goals of financial management

The primary goal of financial management is to ensure the company’s liquidity. A key secondary goal is to minimize the company’s interest burdens. Financial management is the responsibility of the Group Treasury department.



■ Cash flow statement

The cash flow statement is as follows:

	2008 TEUR	2007 TEUR
Cash flow from operating activities	3.314	4.047
Cash flow from investing activities	15.668	(4.903)
Cash flow from financing activities	(23.551)	(2.231)
Change in cash and cash equivalents	(4.568)	(3.087)
Cash and cash equivalents at beginning of the period	9.885	12.973
Cash and cash equivalents at end of the period	5.317	9.886

■ Balance sheet structure

Compared to the same key date the previous year, **total assets** were down 28 percent from EUR 64,937 thousand to EUR 46,477 thousand. The main reason for this was the capital repayment on December 8, 2008 on the basis of an ordinary capital reduction. The **equity ratio** decreased from 72.7 percent to 62.9 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 6,436 thousand (previous year: EUR 28,066 thousand). This decline was the result of the capital repayment of EUR 20,989 thousand in December 2008.

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

■ Non-financial performance indicators

One key factor in REALTECH's business success is competent employees, whose specialist knowledge and high motivation safeguard the company's leading market position. The company therefore continues to make every effort to retain its highly specialized employees in the long term. When it comes to competing for much sought-after specialists, REALTECH continues to be able to rely on its trump cards in personnel management: made-to-measure education and further training offerings, international prospects, individual development options and clear career models. The low level of fluctuation provides the best possible proof that REALTECH is considered by employees to be an attractive company to work for.

Another non-financial performance indicator worth mentioning is the high level of customer satisfaction. The customer survey that we carry out each year has shown that 97 percent of customers are "satisfied", if not "highly satisfied", with our performance.



Developers paid particular attention to the demands of major customers for ever greater information networking.

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 (2008). To meet this requirement, the company is providing the following information:

Share capital is made up as follows: The company's share capital amounts to EUR 5,260,452.00 and is divided into 5,260,452 no-par value shares. The shares are in the name of the holder. There are no shares with special rights (Section 315, paragraph 4, point 4 of the German Commercial Code).

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 share capital has been conditionally increased by issuing up to 289,000 new shares.

Accordingly, the company's contingently issuable capital according to the commercial register extract on June 4, 2008 is EUR 289,000.00. 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.

Due to the expiry of conversion rights in fiscal year 2008, contingently issuable capital has decreased by EUR 9,400.00, which 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).

As of the end of the day of the Annual General Meeting on May 29, 2008, in accordance with Section 71, paragraph 1, point 8 of the Stock Corporation Act, the company was authorized to purchase treasury shares amounting to up to 10 percent of share capital (EUR 5,248,452.00 at this point in time) up until November 28, 2009 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.

The company has no contracts as defined in Section 315, paragraph 4, point 8 of the German Commercial Code (Change of Control) and no compensation agreements as defined in Section 315, paragraph 4, point 9 of the German Commercial Code.



RESEARCH AND DEVELOPMENT

In the software business field, REALTECH is primarily concentrating on two areas. Firstly, the Group's internally developed theGuard! software family provides customers with an end-to-end solution for the automatic monitoring of their IT systems, the analysis of company applications and efficient, error-free service and support for complex IT environments. The second product family comprises solutions for making changes to major software installations in a reliable, traceable and efficient manner at all sites throughout a company. These solutions are aimed at both specialist departments and software developers. The portfolio is rounded off by SAP data integration products.

In 2008, REALTECH enhanced its software solutions with additional functions. Developers paid particular attention to the demands of major customers for ever greater information networking as well as adherence to important international standards such as ITIL (IT Infrastructure Library). In the area of software change management, REALTECH developed some entirely new products in 2008.

The feedback from customers and external testers regarding our solutions has been extremely positive. For example, the industry magazine "LANline" has tested various theGuard! solutions and written positive reports.

Investments

The company's research and development costs in fiscal year 2008 reached a value of EUR 4,622 thousand, which is slightly below the previous year's figure of EUR 4,557 thousand. These expenses remained steady at 7 percent of revenue. On December 31, 2008, the Group had 51 employees working in the research and development division at its Walldorf and Schweitenkirchen sites (previous year: 53 employees).

New products and versions

In 2008, REALTECH launched an extended and improved version of its theGuard! Service Management Center solution on the market. Amongst other things, this application supports additional standards and protocols, thus making it even easier to integrate and monitor all sorts of software applications. The new version has brought REALTECH numerous new customers, whose IT departments now work much more efficiently as they are able to control their service and support processes for SAP applications, as well as all other core applications and IT systems, entirely using theGuard! Service Management Center.

Our theGuard! ApplicationManager product – which is particularly suitable for monitoring SAP applications – has been added to Microsoft's list of recommended add-on programs for Microsoft's own monitoring solution. This honor, equivalent to a purchase recommendation, is enabling REALTECH to reach new buyer groups around the globe.

In the first half of 2009, REALTECH will be introducing its SyncAssist product, a special solution for SAP environments that facilitates the work of software developers. Via a connection to REALTECH TransportManager, the SyncAssist application automatically synchronizes various SAP systems and their versions. The advantage for customers is that they can avoid costly duplicate developments. Another new product is ChangePilot, which also allows changes to be managed for non-SAP applications.

Focus on new target groups

REALTECH expects the software business area to make an increased, positive contribution towards the company's net income again in 2009. The research and development division will continue to focus its efforts in 2009 on the latest technological developments. One example here is virtualization, which allows several operating systems to be used in parallel. In addition, REALTECH will be delivering new, market-oriented versions of its products and thus tapping further target groups.



REALTECH has an extensive risk management system, which allows the company to detect risks early on.

■ RISK MANAGEMENT

As a company with global operations, REALTECH AG is exposed to various risks in conjunction with its wide range of activities. 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

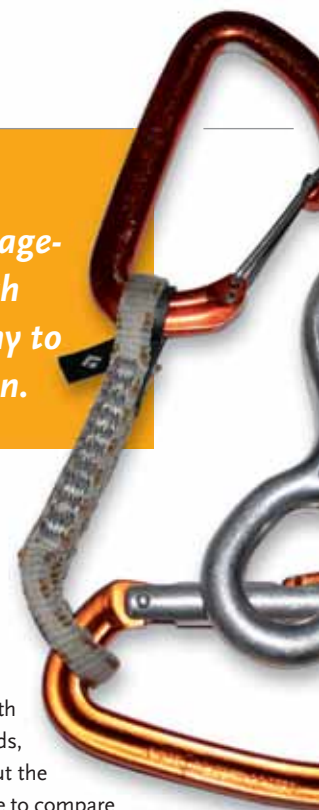
When assessing risks, REALTECH considers their probability of occurrence and the extent of damage that they would cause. In the process, the company uses both quantitative and qualitative methods, which are standardized throughout the company and thus make it possible to compare risk assessments across 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.

■ 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. Earnings may be significantly affected by a decline in the general economic situation in particular if an international economic slump leads to declines in revenue across different countries and markets.

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.

When it comes to developing its solutions, 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



The employee fluctuation rate of top performers is relatively low at REALTECH.

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. 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.

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.



Sign at the Uhuru summit of the Kibo – the highest point of the African continent.



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 an 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

Fiscal year 2008 was a successful, but also difficult year for REALTECH. On the one hand, the Group succeeded in increasing revenue by 11 percent and EBIT by 6 percent. On the other hand, it was very noticeable from the fall of 2008 onwards that the mood in the economy is becoming increasingly gloomy as a result of the global financial crisis. REALTECH customers have also been affected by this slowdown, with the result that individual IT projects have already been approached with increased restraint. Faced with such an overall economic environment, REALTECH cannot help but be affected by the development as well – even though the prospects for the IT sector remain comparatively robust.

In any case, although fiscal year 2009 poses a great challenge, REALTECH is well equipped for the future. After all, a smoothly running IT infrastructure is nowadays absolutely essential for the success of our customers. Together with customers, REALTECH is working on optimizing not only IT systems, but also the business processes based on them. With our two main pillars of consulting and software, we have a product and service portfolio that helps organizations to gain real advantages, and therefore also tangible profits, from investments in IT infrastructure. This becomes particularly important in times of crisis, as the only way for customers to achieve a clear reduction in costs is to make their processes more efficient.

■ Successful processes, projects and products

The primary factor that sets REALTECH apart from the competition is its combination of specialist SAP technology knowledge and expertise in the consulting business. Over the next few years, the company intends to progressively increase its focus on more sophisticated projects that require intensive consulting services, placing a particular emphasis on innovative and powerful SAP application environments. In particular, REALTECH will be further expanding the high-margin segment of optimizing business processes.

In any case, although fiscal year 2009 poses a great challenge, REALTECH is well equipped for the future.

In the software segment, REALTECH has established a position on the market with two tried and tested product lines: its theGuard! software family and applications that are designed especially for SAP operation. These solutions ensure that critical company processes do not come to a standstill, accelerate workflows and enable IT departments to return to concentrating on their actual competences. Over the next few years, REALTECH will be consistently enhancing its software portfolio on the basis of its existing products.

As always, attention will be paid to precisely analyzing customer expectations and aligning solutions even more closely with the requirements of computer center operators and the market. REALTECH needs to develop its solutions in such a way that they provide real, demonstrable added value for customers, as only in this way will the company continue to operate successfully on the market in the future. The company has demonstrated over the last few years that it is capable of doing so. REALTECH will continue to follow this customer-oriented strategy in the future.

■ The year 2009

From a geographical viewpoint, REALTECH will in 2009 once again be focusing on Europe. In its key markets of Germany, Italy and Spain, the Group has always set itself apart by offering a particularly broad range of services and, following the growth in 2008, these core markets also continue to have a great deal of potential. For example, REALTECH's subsidiary in Spain has been the market leader for SAP technology consulting in this southern European country for years. REALTECH has a strong market position in Germany, Italy and Spain, and will make the most of this position in order to further expand its consulting portfolio in a customer-oriented, demand-based manner.

In 2009, REALTECH intends to particularly concentrate on achieving profitable growth, obtaining a positive cash flow and recording a profit margin on a par with that in 2008. Our goal must be to operate on the market more effectively than the competition and focus on topic areas that bring great benefits for customers.

One goal of central importance will be to safeguard jobs in the Group. This is because well trained employees are and will remain a consulting and software enterprise's most important capital – especially in an economic environment characterized by sustained uncertainty.

With our eyes set on these goals, we are confident of being able to master the current economic crisis in the best possible way for both investors and employees.

The difficulties regarding further economic development are currently manifesting themselves in the fact that market research companies and economic research institutes do not agree on and are uncertain about their forecasts as to how the global economy and individual industries will develop. At the same time, even major German corporations are unable to precisely define their expectations for 2009 and provide concrete figures.

In the first quarter of 2009, as this report is being written, there is still a great deal of uncertainty concerning future economic trends not only throughout Germany, but even on a global scale. For this reason, the Executive Board of REALTECH AG will postpone announcing a specific revenue and profit forecast for the current fiscal year for the time being and wait until reliable economic data regarding overall economic development becomes available.

In spite of all the uncertainty, REALTECH is well aware of its strengths and will make the most of these strengths wherever possible in order to assert itself in a difficult market environment. With a clearly defined service portfolio, a pronounced customer orientation and competent employees, REALTECH has sound foundations for emerging from the general economic crisis with renewed strength.

Walldorf, February 27, 2009
REALTECH AG
The Executive Board