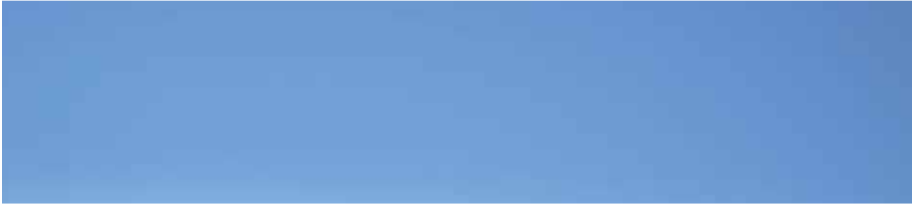


Annual Report 2008



## Report of the Executive Board

### THE GOAL.

### MOUNT EVEREST

The highest mountain on Earth, Mount Everest is always the ultimate challenge for “Seven Summitters”. For this reason, most mountaineers make it the first of the seven summits that they attempt to master. The number of people climbing this mountain has increased constantly since the 1980s, with the result, for instance, that frequent “traffic jams” occur at the Khumbu Icefall following the base camp at 5,400 meter. Although Mount Everest is responsible for more casualties than any other of the Seven Summits, this can be attributed to its temptation for many insufficiently experienced climbers who want to stand at the highest point on the Earth’s surface.



Asia



Name	Mount Everest
Elevation	8.848m
Location	Nepal/China (Tibet)
Range	Himalaya
Coordinates	27° 59' 17" N, 86° 55' 31" E
First ascent	1953, Edmund Hillary und Tenzing Norgay





## Report of the Executive Board



**Nicola Glowinski**  
Chief Executive Officer

**Dr. Rudolf Caspary**  
Chief Technology Officer

### DEAR SHAREHOLDERS AND BUSINESS PARTNERS,

The fiscal year 2008 which has just ended has been a successful year but also a difficult one. We are proud to be able to report to you here that, once again, REALTECH AG has exceeded the previous year's record figures for revenue and income. However, during the last four months of the year dark clouds appeared on the economic horizon. In the fall of 2008 the worldwide crisis in financial and credit markets finally had an effect on the real economy and our customers are also feeling the impact of weaker trading conditions.

Even though the prospects for the IT sector remain comparatively robust, the situation of the economy as a whole and customers themselves will have an impact on our business performance in 2009. This is why the current fiscal year presents a huge challenge to us all in many ways.

However, before we look at the future, we will take a closer look at the 2008 year that has just ended. Over the past fiscal year REALTECH has increased its revenues by 11 percent to EUR 70.8 million. Once again, both the Consulting and Software business areas have contributed to this. Revenue generated by Consulting saw a 9 percent rise to EUR 54.1 million and Software revenue climbed by 20 percent to EUR 16.8 million. In the year under review EBIT improved by 6 percent to EUR 7.0 million. Thanks to their clear structures and strategies, both business segments again made a positive contribution towards earnings.



The extent to which REALTECH is now reaping the benefits of earlier decisions became particularly apparent in fiscal year 2008. Several years ago the Executive Board started to prepare the company for the future and, in particular, they gave higher priority to business aspects. This took the form of tight cost control combined with investments geared to the future and systematic training of our employees. This makes us optimistic that REALTECH will maintain its position in the difficult market conditions that await us in 2009.

The company's positive development in the year under review is also reflected in the fact that, once again, each individual quarter was profitable, indicating that the positive trend in 2007 continued into 2008. Performance in the fourth quarter of 2008 was also unusual: with revenue of EUR 14.2 million from Consulting and EUR 5.2 million from Software, each of the two segments achieved record sales during this period despite the emerging economic gloom. Here REALTECH was very largely benefiting from projects where the orders were placed in the first three quarters of 2008. In the fourth quarter there were already signs of a fall in the number of orders received so in November we were able to correct our overall forecast for 2008 in good time.

However, overall we have managed to improve net income in 2008 by a disproportional amount to EUR 5.7 million – an increase of 25 percent. At the General Meeting, the Executive and Supervisory Boards will propose the distribution of a dividend of EUR 0.50 per share from the company's net profit.

As was the case the previous year, REALTECH's economic activities in 2009 will focus on the European region. In our most important markets of Germany, Italy and Spain, in particular, we have always had a reputation of covering an extremely wide spectrum of services. We saw strong growth here in 2008 and, in our opinion, these core markets also offer potential for growth in the future. We will use our established position in the market to continue to develop our consulting portfolio in line with cus-

tomers requirements and demand. We would particularly like to highlight Spain, where our national company has been the market leader in SAP technology for many years.

#### ■ Our customers are reducing their costs

Fiscal year 2008 was an impressive demonstration that we are right to align our strategy closely to our customers' requirements. Our future-oriented business model also makes us optimistic that REALTECH is well equipped to cope with the general economic crisis. With the two pillars of consulting and software the company is built on solid foundations which will allow it to continue to be a successful player in the market. An IT infrastructure that operates well is increasingly important for companies – particularly in periods when the economy is weak. It has always been our policy to work with our customers to optimize IT systems and the business processes that run on these systems. We make it possible for them to gain tangible advantages and thus also financial benefit from their investment in IT infrastructure. More efficient processes allow our customers to achieve clear cost reductions – and that is something that is particularly important in times of crisis.

Over the past few years REALTECH has demonstrated that the company has the experience and knowledge to respond to the current demands of the market. Our highly trained consultants and developers know what is required in companies and computer centers and always design solutions tailored to meet the individual needs of customers. In 2008, too, our services were impressive. We offer consulting services, strategies and products that provide companies and organizations with the best possible support in mapping their business processes with IT.



**REALTECH's  
successful  
business performance  
is foremost due to  
our employees.**

■ **Reasons for success**

In the highly competitive market for IT consultancy REALTECH is now firmly established as a well-known partner for international companies of all sizes and in all sectors. Our company was founded in 1994 and has continued to develop from a pure technology consultancy firm for SAP systems into an expert consultancy for business processes and projects of strategic importance. Our largest and most important partner is and remains SAP. The close physical proximity of the two Walldorf-based companies again gave REALTECH a valuable advantage in 2008 as regards knowledge. Other indications of the close partnership are the numerous seals of approval, which SAP has awarded to REALTECH. Only a few selected partners have received these certificates and only very few consultancy companies are SAP partners for numerous topics. Each individual certificate is proof of high performance in specific areas. The sum of all certificates equates to a broadly based supplier recommendation from SAP.

REALTECH's unique selling point is the combination of specialist SAP technical knowledge and expertise in the process consultancy business. In the fiscal year that has just ended this focus on more sophisticated projects that require considerable advice was shown, once again, to be the right decision. We will also consistently build on this in the next few years, concentrating on innovative and high-performance SAP application environments. Here we will primarily expand the segment dealing with optimum design of business processes – a topic that will continue to dominate the IT market over the next few years.

The second pillar in our tried-and-tested portfolio of services is the software business area. We have developed innovative products in this area for years, helping IT departments to operate their IT systems reliably. Demand in 2008 demonstrated that our solutions are meeting customers' requirements. Our theGuard! software family allows organizations to achieve even greater automation of their extensive tasks and processes in computer centers. The various

theGuard! products monitor IT systems largely automatically, identify possible sources of errors early on, and provide IT managers with suggestions as to how weak spots can be remedied quickly and efficiently. IT departments can, with the help of this software, carry out their work as reliably as usual even though their budgets have been reduced. Based on the experience we gained in customer projects in 2008, we will also continue to develop our software solutions in future so that they deliver tangible added value for our customers, which can be measured.

■ **Our employees are our most important investment**

REALTECH's successful business performance in 2008 is first and foremost due to our well trained, committed and motivated employees. They are the company's most important resources. Their know-how, willingness to work hard, expertise and team spirit play a key part in REALTECH's rise to its leading position in the market as a consultancy specializing in SAP environments, business processes and strategic projects. Customer satisfaction is one of our most important competitive advantages and our employees contribute to this every day.

The high qualifications of our consultants and developers form the basis for this positive performance by the company. During fiscal year 2008 as well, REALTECH based the internal training of their experts on current market trends and SAP's new technologies. In the year under review it again became clear that an increasing number of IT projects require a holistic consulting approach. It is now nowhere near sufficient for a consultant "just" to have excellent technical knowledge. Nowadays specialist knowledge of business, communications skills and interpersonal skills are also required.



REALTECH continued to upgrade its employees' skills accordingly in 2008 and matched all training closely to practical requirements. Areas of particular importance included targeted promotion of teamwork, because this aspect is becoming increasingly important at partners in general and for SAP projects because of the complexity of the work.

■ **Well-trained IT specialists are always in demand.**

Against this background REALTECH works continuously to retain the loyalty of its highly qualified employees. The most important means of achieving this are clear career structures and an extensive range of available training. This is how we succeeded in 2008, too, in keeping specialists at the company. This is illustrated primarily by the fact that fluctuation is only 14,0 percent in the entire Group and 14.5 percent in Germany. Both these figures are below average for the market and are at the lowest level in the history of REALTECH.

■ **Our targets**

The lack of confidence about how the economy will evolve in future is also expressed by the fact that prestigious market research organizations and economic research institutes do not agree on and are uncertain about their forecasts. Therefore, it is practically impossible for REALTECH and other companies to make reliable forecasts about revenue and earnings for the current fiscal year. The Executive Board has therefore decided to postpone announcing an annual forecast until more certain facts and data on overall economic development are available.

In spite of all the uncertainty, we are confident about the future. We are convinced that REALTECH operates on a solid basis that will ensure that the company can continue to be successful in the market in future. We have delivered sufficient proof of this in 2008.

Our company has a clear strategy, a tried and tested portfolio of services, a good customer-centric focus and very well trained employees. These are the best possible requisites to allow the company to come out of the general economic crisis in a stronger position.

REALTECH's primary aim for 2009 is to retain the jobs that currently exist in the company. This is because a consulting company's most important investment is its employees, even in a time of economic uncertainty.

This year we would again like to thank our customers, partners and employees as well as the Supervisory Board and shareholders. Together we have already climbed numerous summits – and will continue to do so in the future.

Warm regards,  
Your Executive Board



Before a party begins climbing the mountain, the Sherpas always perform a "Puja" ceremony. This blessing ceremony is essential to ward off evil spirits, and usually all western expedition participants take part too.

## Report of the Supervisory Board

# THE CONTROL.

# 3

## MOUNT MCKINLEY

Mount McKinley is located in Alaska, only around 160 kilometers south of the Arctic Circle. In the language of the locals it is referred to as Denali, which quite simply means “the big one”. Due to its exposed location – on some days, the area around the summit at 6,100 meters is even exposed to the jet stream – this mountain, the coldest mountain on Earth, requires special equipment and insider knowledge. The key prerequisites for an expedition here are team spirit and maximum dedication, as participants have to carry their entire expedition gear and food themselves or pull it along on sledges.



## North America



<b>Name</b>	Mount McKinley
<b>Elevation</b>	6.194m
<b>Location</b>	Alaska (USA)
<b>Range</b>	Alaska Range
<b>Coordinates</b>	63° 5' 10" N, 151° 1' 46" W
<b>First ascent</b>	1913, Hudson Stuck





## Report of the Supervisory Board



The REALTECH Supervisory Board  
(from left to right):  
Rainer Schmidt, Daniele Di Croce (Chairman)  
and Peter Stier

### DEAR SHAREHOLDERS,

Intensive and cooperative communication between the Supervisory Board and Executive Board lays the foundations for efficiently structuring the board's activities. In the year under review, the Supervisory Board has met its obligations arising both from legal requirements and from the Articles of Association. Moreover, it has regularly advised the management of REALTECH AG and monitored its management activities.

#### Collaboration between the Supervisory Board and the Executive Board

The Executive and Supervisory Boards agreed upon the company's strategic orientation and discussed the status of the company's development at regular intervals. The Supervisory Board was directly involved in all decisions of substantial significance for the company.

The Executive Board regularly and extensively informed the Supervisory Board in its meetings about the situation of the Group, in particular about business and financial development, the personnel situation and intended investments. Outside of the meetings, the Executive Board informed the Supervisory Board by means of monthly reports about key financial figures, and submitted issues requiring approval to the Supervisory Board in good time in order for a decision to be reached. Approvals were granted following examination of extensive documents, queries to the Executive Board and intensive discussion with members of the Executive Board. In addition, the Chief Executive Officer held regular individual meetings with the Chairman of the Supervisory Board to report on all important developments and any decisions needing to be reached.

In the year under review, the Supervisory Board also performed an efficiency check, establishing that, thanks to the Executive Board's prompt and direct communication policy and due to established decision-making processes, the Supervisory Board performs its assigned tasks in an appropriate and efficient manner.

■ **Corporate Governance**

The Supervisory Board regularly investigated application of the company's Corporate Governance principles. The Supervisory Board established that REALTECH AG complied in the past fiscal year with the recommendations of the German Corporate Governance Code as specified in its compliance declaration. Further information on this topic and also the current compliance declaration can be found in the Corporate Governance section of this annual report.

■ **Meetings of the Supervisory Board**

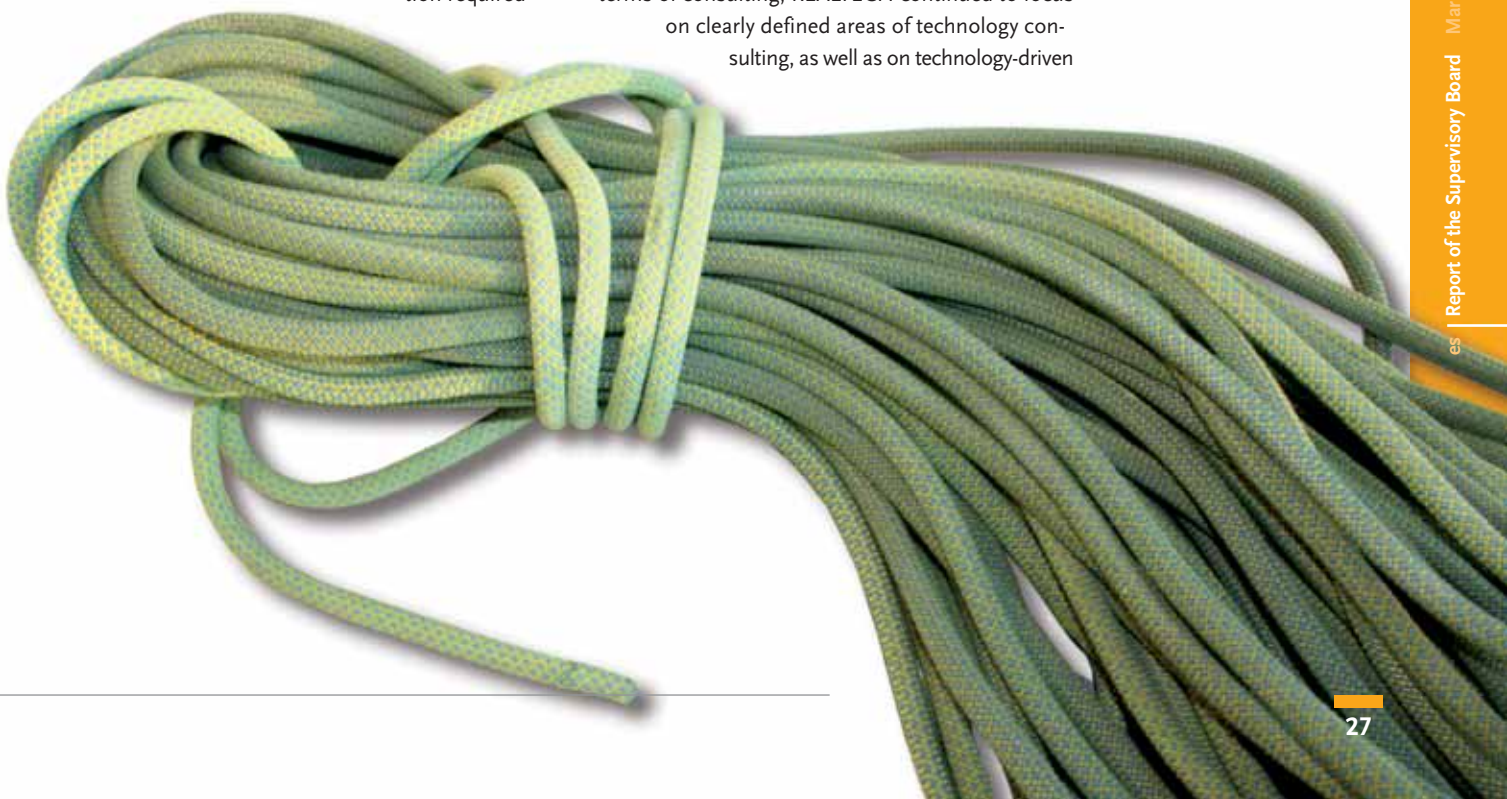
The Supervisory and Executive Boards came together on six occasions in fiscal year 2008 to discuss the business situation of the Group, the strategic further development of the Group and its fields of business, as well as a range of other individual topics. Representatives of the auditing company elected at the meeting of shareholders were present at two meetings for part of the time.


Based on the information supplied by the Executive Board, the Supervisory Board analyzed the company's current and future company development. Where the law or Articles of Association required

decisions from the Supervisory Board concerning individual business transactions and measures of the Executive Board, the Supervisory Board discussed these issues and reached the necessary decisions.

According to Paragraph 5.3.1 of the German Corporate Governance Code, the Supervisory Board should form appropriately qualified committees in line with the specific circumstances of the company and its number of members. Since fiscal year 2006, in contrast to previous years, the Supervisory Board has had neither a specific accounting audit committee nor a personnel committee. Due to the fact that the number of Supervisory Board members had been reduced in fiscal year 2005 from six to three, it was no longer possible to form appropriate committees. As a result, all members of the Supervisory Board have a say on all issues to be resolved. At the same time, the Supervisory Board has thus complied with the recommendations in the German Corporate Governance Code.

The Supervisory Board meetings held in fiscal year 2008 concentrated in particular on the successful continuation of corporate strategy in the company's two business fields of consulting and software. In terms of consulting, REALTECH continued to focus on clearly defined areas of technology consulting, as well as on technology-driven





*The Supervisory Board was directly involved in all decisions of substantial significance .*

tasks relating to SAP NetWeaver and service-oriented architectures (SOA). In the software segment the focus was on investments in new markets and the further development of product portfolios. In addition to this, topics discussed also included the Group's regional orientation, the options with regard to inorganic growth, issues regarding capital resources and questions of corporate governance.

At the meeting in February 2008, the Supervisory Board considered in particular aspects such as the provisional figures for the fourth quarter of 2007 and fiscal year 2007, the final budget planning for 2008, future orientation in the consulting and software segments, and the situation in the company's international subsidiaries. The Supervisory Board also discussed the status quo with regard to potential company acquisitions and strategic cooperations.

The meeting in March focused on the report submitted by the auditors, the approval and adoption of the consolidated financial statements for 2007 and annual financial statements for 2007, the outlook for the first quarter of 2008, and the approval of the agenda for the shareholder meeting in 2008.

At the two-day meeting in April, attention was focused on the Group's existing and future strategic direction.

The focus of consultations in July was on the company's business development over the first five months of fiscal year 2008, prospects in the software and consulting segments, and prospects at the various international subsidiaries. The Supervisory Board also discussed the current status of possible acquisition activities.

The Supervisory Board meeting in September discussed the business figures up to August 2008. Further topics were possible acquisition activities and issues relating to country and product strategies.

The sixth meeting at the end of November concentrated on the future product strategy. In addition, the Supervisory Board discussed the outlook for fiscal year 2008 and defined the planning figures for 2009. Other points included approval of the seventh declaration of compliance with the German Corporate Governance Code and agreement on the dates for Supervisory Board meetings in 2009. The Supervisory Board, together with the auditing company, defined the areas on which to concentrate during the audit of consolidated and annual financial statements.

■ **Members of the Executive and Supervisory Boards**

There were no changes in the members of the Executive and Supervisory Boards in 2008. The term of office of all Executive Board members ends on March 22, 2010.

The term of office of the Supervisory Board members ends with the conclusion of the shareholder meeting at which formal approval is given for the directors' actions during the fiscal year ending on December 31, 2011. In accordance with the provisions of Section 96, paragraphs 1 and 4 of the German Stock Corporation Act, as well as Section 9.1 of the Articles of Association, the Supervisory Board is made up of three members to be elected at the General Meeting.



■ **Annual and consolidated financial statements**

REALTECH AG's annual financial statements for 2008 and the management report, including accounting, were audited and issued with an unqualified audit opinion by the external auditing company Grant Thornton GmbH, Heidelberg, which was appointed at the General Meeting on May 29, 2008 and engaged as auditor by the Supervisory Board.

The same applies for the IFRS/IAS consolidated financial statements, to which a group management report has been added. These consolidated financial statements have been prepared in accordance with IFRS rules. According to Section 315a of the German Commercial Code (Handelsgesetzbuch, HGB), these statements exempt the company from the obligation to present consolidated financial statements in line with German law.

All annual accounting documents, the Executive Board's proposal for the appropriation of net profits, and the auditors' reports were presented to the Supervisory Board in good time. They were intensively viewed and examined, and discussed in the presence of the auditors. The Supervisory Board has approved the result of the audit by the auditors and, in the context of an audit of its own, established that no objections need to be raised.

On March 25, 2009, the Supervisory Board approved the consolidated financial statements for 2008, the combined management report for 2008, and REALTECH AG's annual financial statements for 2008, and agreed to the Executive Board's proposal for the appropriation of net profits.

The Supervisory Board wishes to take this opportunity to thank all members of the Executive Board, as well as all of the company's employees, for the successful part they have played and the high degree of personal commitment shown to REALTECH AG and all associated companies.

Walldorf, March 2009  
 The Supervisory Board  
 Daniele Di Croce  
 Chairman





## Corporate Governance

### ■ GERMAN CORPORATE GOVERNANCE CODE

The term “corporate governance” stands for responsible company management and control aimed at creating value in the long term. Essential aspects of effective corporate governance include efficient cooperation between the Executive and Supervisory Boards, consideration of shareholder interests, and open and transparent corporate communication.

The aim of the German Corporate Governance Code, initially published in 2002 and repeatedly updated since then, is to increase people's trust in the management of German companies. The Code is a code of best practice and not a law. It acquires legal standing in the form of a declaration of voluntary commitment, and is based on the law currently applicable in Germany. In the descriptions of individual points, the focus is on easy comprehensibility. At the same time, the Code makes no claim to portray the applicable laws comprehensively or to include all relevant aspects. Due to this, the Code should be treated as a supplement to the existing rules.

For those involved in capital markets, the Code is a yardstick defined by business and industry representatives on the Corporate Governance Commission as a standard for good, responsible corporate management.

### ■ In practice

Not just the company alone is responsible for implementing the Code. Co-determination by shareholders is also necessary, and they are involved in fundamental decisions of REALTECH AG at the General Meeting. This includes the election of the Supervisory Board, the task of which is to advise the Executive Board on the management of the company and to monitor its activities.

In the context of the company's financial statements, the Supervisory Board reports to shareholders. This body is free to organize committees to focus on specific issues. Based on a resolution passed by the General Meeting on May 24, 2005, the Supervisory Board was reduced from six to three members. No further committees were formed after this because the Supervisory Board has the minimum number of three members stipulated by the German Stock Corporation Act.

Since fiscal year 2005, the REALTECH Group has based its accounting on the International Financial Reporting Standards (IFRS). The accounts were previously based on the United States Generally Accepted Accounting Principles (US-GAAP). As for its annual financial statements, REALTECH AG follows the rules of the German Commercial Code (HGB).

An independent auditing company verifies both financial statements. The auditor is selected at the General Meeting in accordance with the German Stock Corporation Act. The Supervisory Board issues the audit assignment, defines the points on which the audit is to focus and determines the audit fee.

More detailed information concerning essential accounting standards can be found in the Management Report and the Consolidated Financial Statements in this Annual Report.

*The Code is a standard for good, responsible corporate management.*



#### ■ Transparency

In view of the fact that clear communication is a key factor in complying with the Code, REALTECH provides shareholders, financial analysts, the financial press, shareholder associations and any interested members of the public with regular reports on the latest events concerning the company. When distributing information, REALTECH applies the principle of equality, informing everyone of any news at the same time – be they financial analysts, institutional investors, or shareholders. Thus, publication dates for the company's annual report and quarterly reports, as well as details on the General Meeting can be found at [www.realtech.com/investors](http://www.realtech.com/investors), and are available to everyone. Whenever there is any news that could have a substantial effect on the REALTECH share price, this is published in an ad-hoc report.

#### ■ Risk management

The risk management system is part of the company's overall planning, control and reporting process. It defines principles, guidelines, processes and responsibilities, with a view to identifying risks at an early stage. Risk management revolves around reliable information on the company's financial situation, for internal and external use. Only in this way can we ensure that the company management recognizes potential risks at an early stage and is able to implement appropriate countermeasures.

To this end, the Chairman of the Supervisory Board maintains regular contact and exchange with the Executive Board in order to discuss not only strategy and business development, but also questions relating to risk management.

The REALTECH Group has a risk management system that accommodates the company's global orientation. Details of this are provided in the "Risk management" section of the Management Report.

#### ■ BASIC STRUCTURE OF EXECUTIVE BOARD AND SUPERVISORY BOARD REMUNERATION (REMUNERATION REPORT)

##### ■ Remuneration of the Executive Board

The structure of Executive Board remuneration is determined by REALTECH AG's Supervisory Board. The amount of remuneration received by the REALTECH Executive Board is based on the company's size and global orientation, as well as its economic and financial situation.

The total remuneration of the Executive Board is performance-oriented. It consists of three components: remuneration not linked to targets (fixed salary), success-based remuneration (bonuses) and a component intended to provide a long-term incentive (share-based remuneration).

The various components of Executive Board remuneration are subject to the following criteria: The remuneration not linked to targets is paid out as a monthly salary. The amount of success-based remuneration for fiscal year 2008 is dependent on the extent to which the overall company goal for Group EBIT is met (prior to acquisition costs). This was determined at the Supervisory Board meeting on March 16, 2009 following verification of target achievement.

Share-based remuneration was provided by granting convertible bonds, with the agreement of the Supervisory Board, in line with the provisions of the convertible bond decision reached by the REALTECH General Meeting on May 16, 2002. This decision was effective up to May 15, 2007.



Convertible bonds were granted to the Executive Board for the last time in fiscal year 2006. The holders of the convertible bonds are entitled to convert each bond against payment into REALTECH AG shares (conversion right). The par value of a convertible bond is EUR 1. The validity period is 5 years. Bond holders are entitled within this validity period to convert each convertible bond against payment into 100 no-par value REALTECH AG shares, in accordance with the following conditions:

Following issue of convertible bonds, the conversion right can only be exercised after a vesting period. The vesting period ends after a period of 2 years following issue of the convertible bonds for 40 percent of the rights simultaneously granted to holder, after a period of 3 years following issue of the convertible bonds for a further 30 percent, and after a period of 4 years following issue of the convertible bonds for the remaining 30 percent. Convertible bonds may only be exercised within certain, previously defined exercise windows.

Remuneration received by the Executive Board in fiscal year 2007 totaled EUR 900 thousand (compared to EUR 1,502 thousand in the previous year). The part not linked to targets (including non-monetary benefits from company cars and social security allowances) was EUR 446 thousand (previous year: EUR 462 thousand), while the success-based part totaled EUR 454 thousand (previous year: EUR 933 thousand) and share-based remuneration was EUR 0 thousand (previous year: EUR 107 thousand). 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 of the Supervisory Board

Until this rule is revoked by a future General Meeting decision, each Supervisory Board member receives fixed annual remuneration of EUR 10 thousand, which is to be paid at the end of a fiscal year, proportionately for the number of months on the Board.

The Chairman receives twice this amount, while the Deputy Chairman receives one and a half times the amount.

The fixed amounts calculated in this way are supplemented by a variable component, which is paid if the company's share price over the past fiscal year outperforms the reference index. The reference index is Deutsche Börse AG's "Technology All Share Index". Outperformance is established based on the starting and end prices of company shares and the reference index. The starting price is the average company share price at the close of trading on XETRA (or a similar successor system) on the Frankfurt Stock Exchange or the average closing value of the reference index over the first five trading days in the previous fiscal year. The end price is the average company share price at the close of trading on XETRA (or a similar successor system) on the Frankfurt Stock Exchange or the average closing value of the reference index over the last five trading days in the previous fiscal year.

If the company's share price outperforms the reference index by up to 10 percentage points based on this calculation, the amount paid as fixed remuneration is paid again as variable remuneration. If the company's share price outperforms the reference index by more than 10 percentage points, variable remuneration of one and a half times the fixed remuneration is additionally paid. The variable remuneration is to be paid on the day following the General Meeting, at which the annual accounts for the previous fiscal year are presented.

In addition, alongside reimbursement for any proven expenses, each Supervisory Board member receives EUR 1,500 for each Supervisory Board meeting. These amounts do not include any statutory VAT.

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).

These remuneration rules applied for the first time for fiscal year 2006.

■ **Compulsory disclosure of directors' dealings**

Following the enactment of the Fourth Financial Markets Promotion Act (Finanzmarktförderungsgesetz) on July 1, 2002, supplemented by the German Investor Protection Improvement Act (Anlegerschutzverbesserungsgesetz) dated October 30, 2004, individuals who perform management tasks within the company have been obligated, in accordance with Section 15a of the German Securities Trading Law (Wertpapierhandelsgesetz, WpHG), to report their own dealings in REALTECH AG shares to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) within five working days. In addition, appropriate securities transactions by others, particularly spouses, registered civil partners and children entitled to maintenance, must also be disclosed.

Section 6.6 of the German Corporate Governance Code requires the immediate notification and publication of dealings in the company's shares by members of the Executive and Supervisory Boards. In the year under review, no transactions at REALTECH AG that required reporting occurred.



*REALTECH complies with the recommendations of the Government Commission on the German Corporate Governance Code.*

In addition, the possession of company shares by members of the Executive and Supervisory Boards must be specified in the Corporate Governance Report if, either directly or indirectly, more than one percent of the shares issued by the company are held. If the total holding of all members of the Executive and Supervisory Boards exceeds one percent of the shares issued by the company, the total holding must be specified separately for the Executive Board and Supervisory Board.

Executive Board	Number of shares as of 31.12.2008	In % of all issued shares
Nicola Glowinski	37.000	0,70
Dr. Rudolf Caspary	29.000	0,55
<b>Total</b>	<b>66.000</b>	<b>1,25</b>

Supervisory Board	Number of shares as of 31.12.2008	In % of all issued shares
Daniele Di Croce	885.500	16,83
Rainer Schmidt	765.500	14,56
Peter Stier	745.500	14,17
<b>Total</b>	<b>2.396.500</b>	<b>45,56</b>

**Compliance declaration for the German Corporate Governance Code**

The German Corporate Governance Code includes rules with various degrees of obligation. In addition to describing the valid stock corporation law, it also contains recommendations that companies are not compelled to follow. However, they are then obligated to disclose this each year. This is defined by Section 161 of the German Stock Corporation Act, which compels the Executive and Supervisory Boards of a corporation listed on the stock market to declare each year where they have deviated from the recommendations. Moreover, the Code contains conditions that companies can refrain from following without having to disclose this.

As in previous years, REALTECH does not intend to create a corporate governance code of its own, as there are no industry-specific or company-related requirements that make this necessary. The Executive and Supervisory Boards submitted the seventh, and so far last, compliance declaration on November 27, 2008, based on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act with the following wording:

“REALTECH AG complies with the recommendations of the Government Commission on the German Corporate Governance Code (dated June 6, 2008), with the following exceptions:

- No suitable deductible is in place at this point in time for the D&O insurance taken out on behalf of the Executive Board and Supervisory Board (Section 3.8, Paragraph 2 of the Code).

Reason: No deductible has yet been agreed for the existing D&O insurance for the Executive and Supervisory Boards. We believe that agreeing upon a deductible would not improve the motivation and sense of responsibility with which the members of the Executive and Supervisory Boards of REALTECH AG perform the tasks and functions assigned to them. In addition, the primary aim of this insurance is to cover the company’s essential own risks, not to provide financial protection for board members. Moreover, it is a group insurance policy that also extends to leading REALTECH employees. We do not consider it appropriate to distinguish between board members and company employees.

- The Supervisory Board currently includes more than two former members of the Executive Board (Section 5.4.2, Paragraph 3 of the Code).

Reason: We believe that a rule of this kind would inappropriately restrict the rights of shareholders to vote for members of the Supervisory Board.

- At present, remuneration of members of the Supervisory Board is not disclosed individually in the Corporate Governance Report, broken down into components.  
(Section 5.4.6, Paragraph 3 of the Code)

Reason: In our opinion, specifying the individual remuneration of each individual member of the Supervisory Board does not provide a suitable foundation for judging the appropriateness of the remuneration for the Supervisory Board's task, as an overall body, to monitor the Executive Board's management."

#### ■ Insider regulations

Trading in REALTECH shares is subject to the rules of the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). One of BaFin's key tasks is the supervision of securities trading. This aims to ensure that the German markets for securities and derivatives function in line with the German Securities Trading Act (Wertpapierhandelsgesetz). This forbids the use of insider knowledge or unauthorized dissemination of insider information, as doing so would undermine the trust of market participants in securities trade with equal chances for everyone.

REALTECH employees are subject to the prohibition on insider trading. An appropriate memorandum is included in every employment contract worldwide.

In addition, in accordance with Section 15b of the German Securities Trading Act, REALTECH AG keeps lists of individuals who work for the company and who have access to insider information in accordance with the regulations. REALTECH promptly updates these lists and submits them to BaFin upon request. The individuals named in the lists have been notified by REALTECH AG of the legal obligations resulting from access to insider information, as well as of the legal consequences of infringement.

