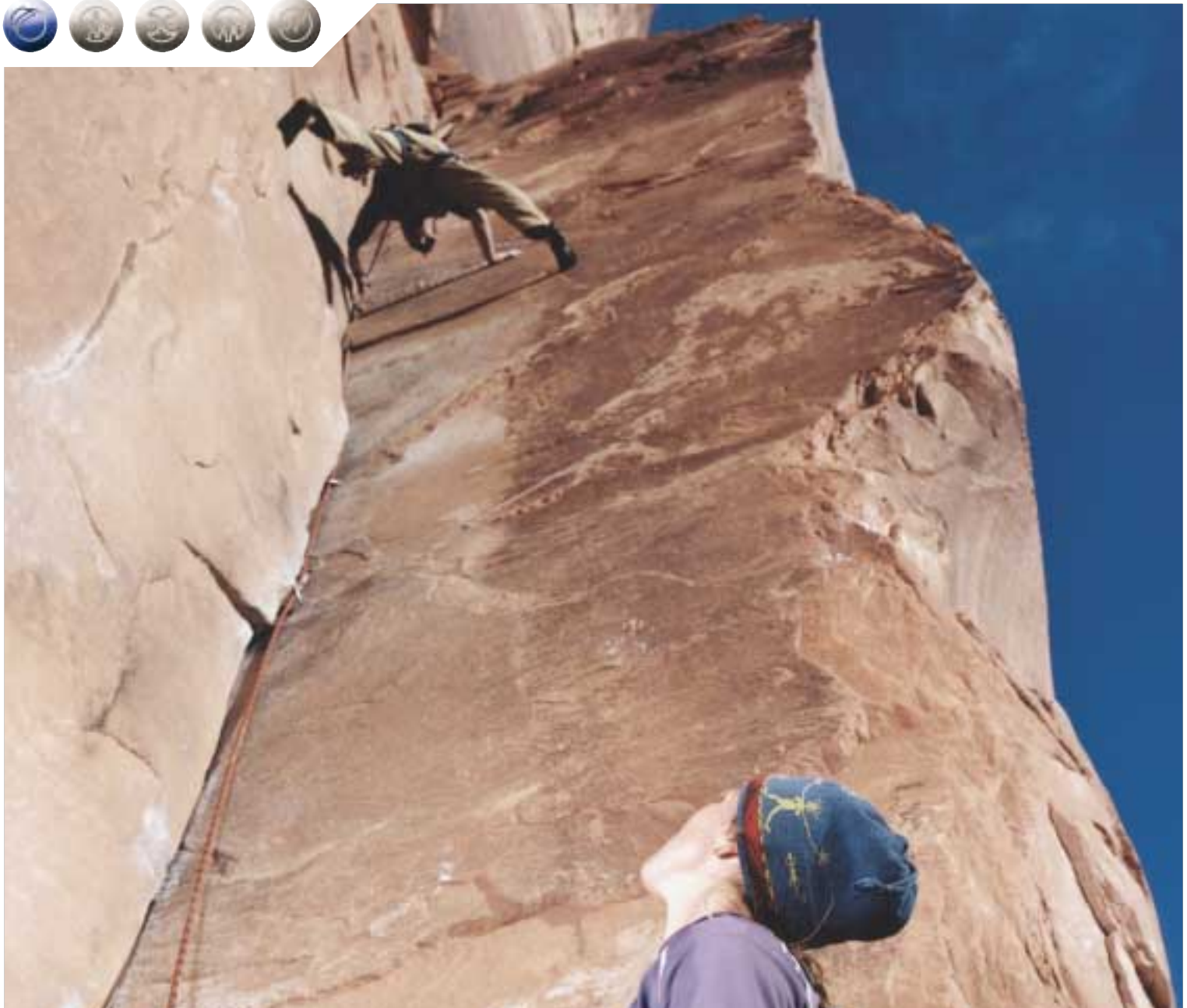




ANNUAL REPORT
2004





Where there is trust,
there will be success.

*Seami (Saburo Motokiyo)
(1363-1443 AD),
Japanese playwright,
theoretician, and monk*

Dear shareholders and business partners,

As the new Executive Board of REALTECH AG, we have talked to numerous existing customers, potential customers, and partners over the past few months and have obtained confirmation that our company has laid important foundations over the last decade for remaining competitive in the long term.

Today, REALTECH is reaping the benefits of the great trust that its customers and employees put in the company's ability to flexibly adapt to changed market situations. We have succeeded in establishing partnerships with the most important software manufacturers round the globe, convincing them that REALTECH is a competent consulting, development, and project partner. And, last but not least, we have gained the loyalty and trust of numerous long-term customers who have every reason to appreciate our services and solutions.

Of course, REALTECH is not as widely known as brands such as Microsoft and SAP. Nevertheless, the name of our company has long since come to be perceived by many IT specialists – from CIOs to system administrators – as a synonym for quality. REALTECH is now associated with the ability to boost the efficiency and effectiveness of highly complex software infrastructures and organizational IT processes. We are also associated with on-time delivery within set budgets in all projects as well as a market and customer proximity that is firmly anchored in our business model. To sum up, we are perceived to provide efficient, state-of-the-art technology consulting and affordable products that provide long-term answers to the most urgent questions currently asked by both IT and business managers.

In 2004, these qualities once again enabled us to cope with an extremely difficult and turbulent fiscal year. As a result of global political tensions, high oil prices, and exchange rates, the investment behavior of existing and potential customers alike remained rather restrained in the year under review. Now, in view of our superiority in terms of trust and our excellent range of services, we are confident that we will be among the winners of the economic recovery that is very slowly beginning to be heralded. Even in the year under review, the trend appeared to be changing slightly in all of REALTECH's international core markets, with companies gradually starting to catch up with IT investments that they had put off for a long time. Countless depreciation cycles for IT acquisitions have now ended. The motto for the future is strategic cost control rather than pure cost-cutting, as is demonstrated by the fact that increasing numbers of companies are striving to restructure their system environments in such a way as to ideally support their fundamental business goals. REALTECH disposes of the necessary solutions and expertise to accompany large and medium-sized enterprises in all sectors of industry as they embark upon this road – and this expectation has been backed up by a pleasing fourth quarter.

Looking back at a year of concentration

A year ago, we described our goals for 2004 in this report. In view of an uncertain economic situation we wanted to refine our cost control. We wanted to concentrate on our core competencies in both our Consulting and Software business areas, intensify our efforts to foster customer relationships, and expand our business abroad.

TODAY, REALTECH IS REAPING THE BENEFITS OF THE GREAT TRUST THAT ITS CUSTOMERS AND EMPLOYEES PUT IN THE COMPANY'S ABILITY TO FLEXIBLY ADAPT TO CHANGED MARKET SITUATIONS. WE HAVE GAINED THE LOYALTY AND TRUST OF NUMEROUS LONG-TERM CUSTOMERS WHO HAVE EVERY REASON TO APPRECIATE OUR SERVICES AND SOLUTIONS.



REPORT OF THE EXECUTIVE BOARD



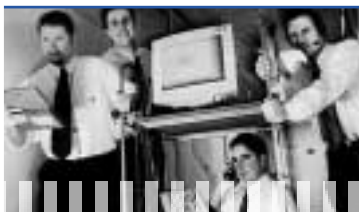
Michael Knopp,
Chief Financial Officer

Nicola Glowinski,
Chief Executive Officer

Dr. Rudolf Caspary,
Chief Technology Officer

In the year under review, we succeeded in tailoring our range of products and services even more closely to changed customer requirements. We purposefully streamlined and enhanced the range of software solutions in our theGuard! product family. In terms of consulting, we took on the challenge presented by the current market demand for IT consolidation and organizational consulting in line with ITIL, and met this demand in the form of individual customer solutions. In view of the

fact that our main objective for 2004 was to consistently concentrate on our profitable enterprise areas, we sold our Australian subsidiary at the end of the reporting year and distanced ourselves from risky expansion plans. However, this does not mean that we neglected the ambition to seize any long-term opportunities that presented themselves to us in new markets. For example, we successfully launched projects in China and Japan, and established technology partnerships with major computer and database manufacturers.



December 1994: Four former SAP consultants – Peter Stier, Rainer Schmidt, Daniele Di Croce, and Markus Adam – establish realTech System Consulting GmbH in Walldorf, originally defining the company as a pure SAP system consultancy.

1994

12 | 1994

All in all, we can look back on a fiscal year that turned out to be somewhat better than originally predicted. In a market environment that was generally considered to be extremely difficult, our revenue figures fell by just 13 per cent to EUR 47.1m. Whereas our product revenue was up 15 per cent, our consulting revenues fell by 18 per cent due to changes at the REALTECH Italia subsidiary. Income from operations were minus ffo.3m, consolidated earnings amounted to minus EUR 1.8m, and earnings per share were minus EUR 0.35. We are pleased by the figure for our net cash and cash equivalents, which at EUR 21.4m was 7 per cent up on the figure recorded on the key date at the end of the previous year. At the same time, we recorded a cash flow of EUR 3.0m.

Looking ahead – our goals for 2005

For 2005, experts from leading economic research institutes are forecasting a slight improvement in the global economy as well as an upturn in IT demand – especially in the market for SAP solutions, where REALTECH is firmly established as a technology consultancy. Several surveys unanimously anticipate that the budget plans during this fiscal year will not concentrate solely on recently postponed replacement investments in hardware and software. Above all, an emphasis will be placed on the type of projects that optimize IT-supported business processes in such a way as to generate a measurable added value for business. Demand for services relating to the SAP NetWeaver integration platform in particular is expected to see a lasting increase. In this field of technology and strategy, REALTECH enjoys recognized, valuable superior knowledge thanks to its close proximity and technological collaboration with SAP on a global scale.

REALTECH AG's Executive Board intends to continue to proceed consistently in the same direction in the long term. To this end, we are merging all our capacity and competencies with a view to maximizing efficiency and effectiveness. In 2005, we will again be assigning top priority to systematically boosting profitability. In connection with this, we will be paying particular attention

to the demanding goal of restoring profitability at our Italian subsidiary which, although it has traditionally been very successful, made a negative contribution to profits in 2004. Another focus for 2005 will be on consistently expanding our international partner network, hoping to clearly increase the positively developing revenue obtained from collaboration and alliances.

REALTECH has also set itself another goal, important for the company's success, in that we want to greatly increase the value of our huge competitive edge in terms of trust. We intend to make people more aware of why demanding enterprises are increasingly and purposefully putting their trust in REALTECH as a knowledge partner. For this reason, we plan to communicate our strengths and skills more forcibly on international markets in the future – in terms of marketing, in terms of sales and distribution, and as part of our partner program. After all, we appreciate the profile that REALTECH AG has established for itself as a technology consultancy and supplier. We can currently count ourselves among the favored group of IT service providers who operate across all industries, completely independent of hardware manufacturers. This is a quality that is being taken into account by more and more companies as they seek solution-oriented consulting services.

We would like to use this opportunity to thank our employees for the great commitment they have shown towards making REALTECH AG a success. We also wish to thank our customers and stockholders for their trust in us. All of you have played a part in 2004 in enabling REALTECH to lay essential foundations for success, on which the corporate group can build in the years to come.

Warm regards,
Your Executive Board



realTech
system consulting

Two features of the company's initial days: the first, modest domicile in a semidetached house and the first company logo – back then in red and black rather than the REALTECH green.



REPORT OF THE SUPERVISORY BOARD



Dieter Matheis, Chairman

Dear Shareholders,

Collaboration between the Supervisory Board and the Executive Board was characterized by intense and regular communication. Both bodies of the company extended this dialog over the past fiscal year in accordance with the Corporate Governance Code.

In line with its statutory functions and the Articles of Association, the Supervisory Board regularly advised the Executive Board during the year under review and monitored the company's management. The Supervisory Board was directly involved in all decisions of substantial significance for REALTECH. The Executive Board regularly reported to the Supervisory Board promptly and extensively in writing about company strategy and corporate planning, about the course of business, about the situation of the Group including the risk situation, and about risk management. The Executive Board consulted the Supervisory Board regarding the company's strategic orientation. Moreover, the Supervisory Board discussed all business transactions of significance for the company that were presented to it in the reports of the Executive board. The chairman of the Supervisory Board also regularly inquired outside the Board's meetings about the current development of the business situation and essential operations.

☐ Meetings and committees

In the fiscal year 2004, the Supervisory and Executive Boards met on four occasions to intensively discuss the business situation of the Group, the strategic further development of fields of business, as well as a range of other individual topics.

Based on the information supplied by the Executive Board, the Supervisory Board analyzed the company's current and future business development. In as far as the law or Articles of Association required decisions from the Supervisory Board for individual business transactions and measures of the Executive Board, we discussed these issues and reached the necessary decisions during the meetings of the Supervisory Board.



Since 2001, the Supervisory Board has had an accounting audit committee and personnel committee, with the aim of further increasing the efficiency of its activities. At the same time, this complies with the recommendations of the German Corporate Governance Code. For instance, the accounting audit committee examines annual and consolidated financial statements, checks quarterly statements, and works with the auditors to define the points on which the audit is to focus. The personnel committee is primarily responsible for dealing with personnel issues relating to the Executive Board.

The Supervisory Board meetings held in fiscal year 2004 concentrated in particular on the implementation of corporate strategy in the company's two business fields of consulting and software.

In terms of consulting, REALTECH focused on clearly defined areas of technology consulting, in line with its core competencies. As for software products, an emphasis is placed on intensifying direct marketing and, most importantly, indirect marketing via global partners by expanding direct and indirect distribution channels both in Germany and abroad. Other issues discussed included questions regarding human resources, successors, and corporate governance at REALTECH.

At the meeting in February 2004, the Supervisory Board considered aspects such as the provisional figures for the fourth quarter of 2003 and fiscal year 2003, budget planning for 2004, and the agenda for the General Meeting in 2004.

The focus of the meeting in March was on the reports submitted by the auditors and the accounting audit committee, the approval and conclusion of the consolidated and annual financial statements for 2003, the forecast figures for the first quarter of 2004, the approval of the agenda for the General Meeting in 2004, and a discussion of the situation at the REALTECH Italia S.p.A. subsidiary. Another important issue was the withdrawal of the previous chairman of the Executive board, Daniele Di Croce, and the appointment of Nicola Glowinski and Dr. Rudolf Caspary to REALTECH AG's Executive Board. In addition, decisions were made regarding transactions requiring approval such as the bonus agreement for the Executive Board.

The meeting in August concentrated not only on analyzing the figures for the second quarter of 2004 but also on the management equity participation program, the direction to be taken in the future by the software division, and the outlook for fiscal year 2004.

The meeting in November was used to analyze the figures for the third quarter in 2004, consider the outlook for fiscal year 2004, define the Group's strategy for 2005, and, together with the auditor, decide on the auditing focuses.

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

At its meeting on March 22, 2004, the Supervisory Board voted to appoint Nicola Glowinski and Rudolf Caspary to the Executive Board of REALTECH AG. At the same time, Daniele Di Croce departed from the Executive Board. The reason for appointing new members to the Executive Board is that Mr. Di Croce, co-founder and CEO of REALTECH AG, withdrew from active management work, as planned since the end of 2003, after ten years in REALTECH's management and on the Executive Board. The Supervisory Board wishes to thank Mr. Di Croce for his outstanding services with regard to setting up and further developing the company.

Supervisory Board members Rainer Schmidt and Jürgen B. Harder both resigned from their positions as of August 10, 2004. The Supervisory Board agreed to this. The resignation was connected with the company's plans to reduce the size of its Supervisory Board. The Supervisory Board would like to express its sincere gratitude to Mr. Schmidt and Mr. Harder for the work they have done and wishes them all the best for a successful future.

▣ **Annual and consolidated financial statements**

The REALTECH AG annual financial statements for the year 2004 and the management report including the accounting were audited by the external auditing company Grant Thornton GmbH, Heidelberg – appointed in the General Meeting on May 18, 2004 and engaged as auditor by the Supervisory Board – and issued with an unqualified audit opinion. The same applies for the US GAAP consolidated financial statements, to which a group management report has been added. According to section 292a of the German



REPORT OF THE SUPERVISORY BOARD

Commercial Code (Handelsgesetzbuch, HGB), these US GAAP consolidated financial 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 have been verified by the accounting audit committee and Supervisory Board 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.

At its meeting of March 16, 2005, the Supervisory Board approved the consolidated financial statements for 2004, the combined management report for 2004, and REALTECH AG's annual financial statements for 2004, 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 in achieving an ongoing increase in the value of REALTECH AG and all associated companies.

Walldorf, March 2005,
Your Supervisory Board

Dieter Matheis
Chairman

BOARD OF DIRECTORS



Supervisory Board

Dieter Matheis
(Chairman)

Retired Chief Financial Officer of SAP AG

- Member of Supervisory Board (Chairman) of SNP Schneider-Neureither & Partner AG, Heidelberg
- Member of Supervisory Board (Chairman) of Catenic AG, Bad Tölz
- Member of Supervisory Board (Chairman) of Cybio AG, Jena
- Member of Supervisory Board of Heiler Software AG, Stuttgart

Richard Roy
(Deputy Chairman)

Management Consultant

- Member of Supervisory Board of Swisscom AG, Bern/Switzerland
- Member of Supervisory Board (Deputy Chairman) Premiere AG, Unterföhring

Peter Stier

Graduated Physicist

Norbert Schwerber

German CPA and Tax Consultant

- Member of Supervisory Board (Chairman) of Nieding + Barth Rechtsanwaltsaktiengesellschaft, Frankfurt
- Member of Supervisory Board (Chairman) of VEDACON AG, Montabaur
- Member of Supervisory Board of VANTAGE AG, Frankfurt
- Member of Supervisory Board of Hugo Görner GmbH, Aalen

Retired from the Supervisory Board:

Jürgen B. Harder, as of August 10, 2004

Rainer Schmidt, as of August 10, 2004

Executive Board

Nicola Glowinski, since March 22, 2004
(Chief Executive Officer)

Dr. Rudolf Caspary, since March 22, 2004
(Chief Technology Officer)

Michael Knopp
(Chief Financial Officer)

Retired from the Executive Board:

Daniele Di Croce, as of March 22, 2004
(Chief Executive Officer)