

ANALYSIS OF THE GAME





Management Report

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



OVERALL AND INDUSTRY-SPECIFIC ECONOMIC DEVELOPMENT

The dominant aspect of 2009 was the global financial and economic crisis. The effects of the weak economic performance have been felt by all sectors of business. The crisis has not left the IT industry unscathed, because many companies have reduced their investment in IT projects or have postponed them. However, the implications have been less dramatic for IT service providers than, say, for producers of computers and other hardware.

Economists are of the opinion that the end of the economic decline is in sight. In January 2010 the International Monetary Fund (IMF) published its

latest economic forecast: according to this, the world economy should grow by 3.9 percent in 2010 and by 4.3 percent the following year. These figures mask considerable regional differences. Although the IMF expects China to grow by ten percent, the economy in the USA is only predicted to expand by 2.7 percent. Growth of one percent is expected for the eurozone and the German economy is expected to expand by 1.5 percent. The economic outlook published by the German government in January 2010 assumes that gross domestic product will rise by 1.4 percent.

● Management Report

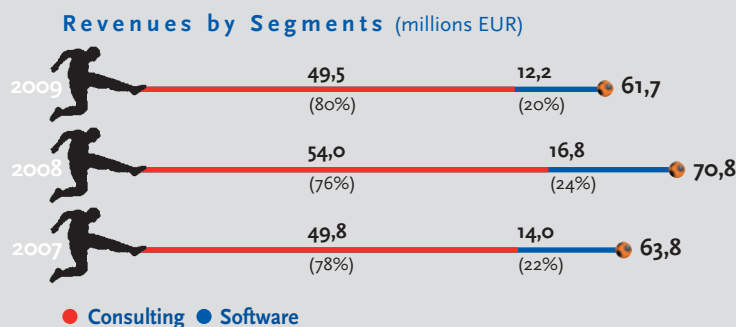
The IT sector could benefit from this development. In January 2010 market researchers from Gartner have raised their forecasts for IT and telecommunications expenditure and during the current year are expecting growth of 4.6 percent to 3.4 billion US dollars. With regard to pure IT investment, according to an estimate made in February 2010, analysts from IDC are expecting a rise of 3.2 percent to 1.48 billion US dollars.

Positive signs are also being reported by BITKOM, the German association for the industry. According to a survey carried out in December 2009, 57 percent of market participants are expecting revenue to grow in 2010, whereas 17 percent of companies are expecting business to remain on a steady course.

In the past few years REALTECH has successfully positioned itself as an acknowledged SAP consultancy and has established itself in the high-margin IT strategy consultancy segment of the market. REALTECH provides its customers with reliable support, as they optimize, consolidate and operate their IT systems. Parallel to this, the software solutions developed by the company itself for enterprise-wide management of IT infrastructures and IT service process has been successfully accepted by the market. REALTECH's theGuard! software family enables organizations to automate their IT services and the operation of complex IT environments. International customers here are of all sizes and come from very different sectors of industry. REALTECH is represented worldwide in seven countries, with the core markets in Germany, Spain and Italy.

REALTECH has in recent years clearly demonstrated that this portfolio puts it in a very good position in its various markets. In addition, new customers recruited demonstrate that the services and products supplied meet the requirements of both medium-sized companies and large corporations. Worldwide over two thousand companies have already opted for solutions provided by REALTECH.





FINANCIAL SITUATION

Group business development

The global economic crisis has also affected the attitude of REALTECH's customers to investment. IT projects have been postponed or cancelled completely. This is why **revenues** fell by 13 percent to EUR 61,675 thousand in the 2009 fiscal year. In the previous year REALTECH achieved revenues of EUR 70,823 thousand, equivalent to an increase of 11 percent.

The **Consulting** business area brought in EUR 49,530 thousand (previous year: EUR 54,050 thousand) and was therefore down 8 percent (previous year: up 9 percent). This corresponds to 80 percent (previous year: 76 percent) of Group revenue. Revenue from in-house **Software** development, in the form of licenses, maintenance and supplementary services, fell 28 percent (previous year: rise of 20 percent) from EUR 16,773 thousand to EUR 12,145 thousand. It must be noted here that, from the organizational point of view, revenues between the two segments amounting to EUR 2,651 thousand have been reclassified compared to the previous year. If classified in the same way, consulting was 13 percent down on 2008 and software fell by 14 percent.

In the year under review the **costs of revenues** fell by 7 percent from EUR 43,916 thousand to EUR 40,822 thousand. Based on revenue, the figure rose to 66 percent (previous year: 62 percent). The **gross profit** fell by 23 percent from EUR 26,907 thousand to EUR 20,853 thousand. Relative to revenue, the figure fell from 38 percent to 34 percent.

Selling and marketing expenses fell by 7 percent from EUR 9,160 thousand to EUR 8,482 thousand, representing 14 percent of revenue as opposed to 13 percent the previous year.

General and administrative expenses, at EUR 6,678 thousand, were 5 percent lower than in the previous year (EUR 7,055 thousand). At the same time, in percentage terms the share of total revenue rose from 10 percent to 11 percent.

In the 2009 year REALTECH invested EUR 3,845 thousand in **research and development expenses**. This corresponds to a fall of 17 percent compared to the previous year's figure of EUR 4,622 thousand. As a share of revenue, this expenditure decreased from 7 percent to 6 percent.

Operating income (EBIT) was down 63 percent from EUR 7,027 thousand to EUR 2,578 thousand. Consequently, the EBIT margin fell from 10 percent to 4 percent. **EBITDA** fell by 57 percent from EUR 8,039 thousand to EUR 3,711 thousand. This development can, in particular, be attributed to the global effects of the financial and economic crisis.

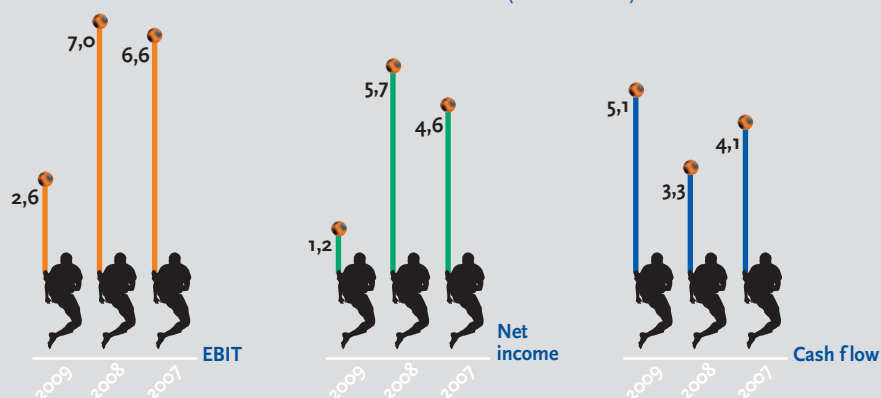
Income from operations in the consulting business area reached EUR 1,678 thousand (previous year: EUR 3,195 thousand), whereas the software segment returned an EBIT of EUR 1,919 thousand (previous year: EUR 2,875 thousand).

A capital repayment of EUR 3.99 per share was made in November 2008. This also influenced the **net interest** in 2009, which fell from EUR 535 thousand to EUR 45 thousand. Furthermore, **income from financial assets and securities** dropped from EUR 976 thousand to minus EUR 82 thousand as a result of this. Weakening of the US dollar and the Japanese Yen caused currency losses to increase from EUR 40 thousand to EUR 113 thousand.

Income taxes amounted to EUR 1,122 thousand (previous year: EUR 2,688 thousand). This value is composed of the actual tax expense of EUR 1,196 thousand (previous year: EUR 2,704 thousand) and the deferred tax income of EUR 74



Income Situation and Cash flow (millions EUR)



thousand (previous year: EUR 16 thousand). The effective tax rate therefore rose from 32 percent to 46 percent.

Net income fell by 79 percent from EUR 5,703 thousand to EUR 1,203 thousand. Based on the undiluted number of 5,295,952 shares on the end-year key date, this amounts to **earnings per share** of EUR 0.23 (previous year: EUR 1.08 for 5,260,452 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. REALTECH Japan Co. Ltd., in which the holding has an interest of 54.1 percent is an exception (please also refer to "7. Interests in associates" in the Notes to the Consolidated Financial Statements). The **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 4,215 thousand (previous year: EUR 5,015 thousand).

On December 31, 2009 REALTECH AG recorded **receivables due from related parties** of EUR 17,812 thousand (previous year: EUR 12,179 thousand) and **trade accounts payable** to affiliated companies of EUR 7,673 thousand (previous year: EUR 771 thousand). In the year under review, the holding recorded a net income of EUR 1,144 thousand (previous year: EUR 4,057 thousand) and employed eight people on average (previous year: 18 people).

Changed corporate structure in Germany

Taking effect from April 1, 2009 REALTECH established a new corporate structure under company law in Germany. With this REALTECH AG undertook the tasks of a holding company, under which

the various companies abroad and the German subsidiaries are grouped.

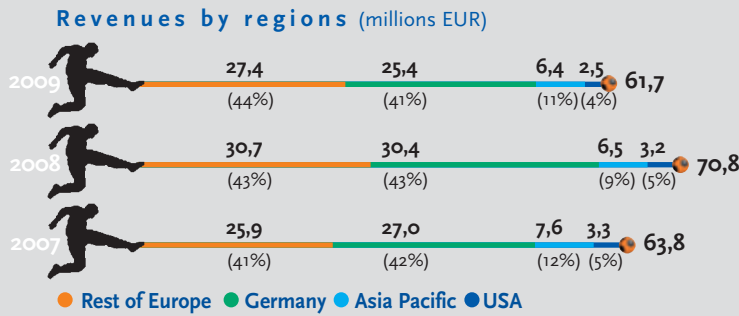
Up to now, the German business operations of REALTECH have been the responsibility of REALTECH system consulting GmbH. This company comprised both the consulting business area and the software segment. Two years ago, these divisions were separated in organizational terms into independent enterprise units under the umbrella of REALTECH system consulting GmbH. These units are being transformed into autonomous companies as of April 1, 2009.

Since this date REALTECH Consulting GmbH has been responsible for the SAP consulting business, while REALTECH Software Products GmbH has had the task of developing and marketing the company's own software products. These companies are supported by REALTECH Services GmbH, which provides central services such as financial accounting, human resources services, IT services and marketing. The employees were transferred to the new companies on April 1, 2009. As a result of the changed organization of REALTECH, we will be focusing each of the newly created companies entirely on its particular core business. The business areas have been transferred on the basis of company lease agreements.

Business development in the various regions

All four regions in which REALTECH operates have seen revenues fall in the 2009 fiscal year. Revenues recorded in **Germany** were down by 16 percent year on year (previous year an increase of 13 percent), falling from EUR 30,413 thousand to EUR 25,419 thousand. Contribution to Group revenue fell to 41 percent (previous year: 43 percent). The revenue REALTECH generated abroad amounted to EUR 36,256 thousand (previous year: EUR 40,410 thousand). The share of total revenue was 59 percent (previous year: 57 percent).





The region **Rest of Europe** recorded an 11 percent reduction to EUR 27,352 thousand (previous year: EUR 30,762 thousand). This development was due, in particular, to the 19 percent drop in revenues in Italy. Revenues were down 6 percent in Spain, whereas Portugal saw a 51 percent increase in revenue compared to the previous year. The proportion of Group revenue generated in region Rest of Europe increased from 43 percent to 44 percent.

In region **USA** the company generated revenue of EUR 2,504 thousand after EUR 3,130 thousand in the previous year. The contribution towards Group revenue remained unchanged at 4 percent. The revenues recorded by the **Asia-Pacific** region were almost the same as in the previous year. Here revenues fell by 2 percent from EUR 6,511 thousand to EUR 6,400 thousand.

Accordingly, income growth in Germany and the region Rest of Europe was down. In **Germany** gross profit fell 28 percent and the gross margin was down 54 percent to 45 percent. The company managed to cut selling expenses by 8 percent and administrative costs were 15 percent lower. Investment in research and development was 18 percent less than the previous year's figure. Income from operations of the German REALTECH companies was down 74 percent at EUR 1,182 thousand (previous year: EUR 4,514 thousand).

Region **Rest of Europe** saw a fall in EBIT of 57 percent at EUR 989 thousand (previous year: EUR 2,295 thousand). In Italy income from operations was down 99 percent at EUR 7 thousand (previous year: EUR 1,167 thousand). In Spain the company saw a fall of 25 percent in its income from operations, generating EUR 749 thousand compared to EUR 1,003 thousand the previous year. The situation in Portugal was positive. Here EBIT rose by 87 percent to EUR 234 thousand (previous year: EUR 125 thousand) Income from operations generated in the USA improved by 17 percent

to minus EUR 249 thousand (previous year: minus EUR 301 thousand). The **Asia-Pacific** region saw a 26 percent rise in EBIT to EUR 655 thousand (previous year: EUR 518 thousand). Japan and New Zealand increased their income from operations but the EBIT returned by Singapore was lower.

● Appropriation of retained earnings

REALTECH AG's annual financial statements form the basis for a resolution to be passed during the General Meeting on the appropriation of earnings. In the year under review the **retained earnings** recorded by REALTECH AG was EUR 3,016 thousand, compared with EUR 4,516 thousand in 2008. At the General Meeting REALTECH's Executive and Supervisory Boards are proposing a **dividend** of EUR 0.50 per share for fiscal year 2009 from the company's net profit. The two committees passed these resolutions on February 25, 2010. The General Meeting is scheduled to be held in Wiesloch on May 21, 2010.

● Investment and financing

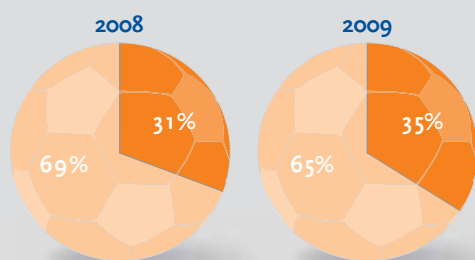
In the year under review the REALTECH Group reported **cash flow from operating activities** of EUR 5,253 thousand, compared to EUR 3,314 thousand in the previous year. In spite of the net income being 79 percent lower, the company increased cash flow. This has essentially been achieved through more rigorous management of receivables. Trade receivables were reduced by 25 percent – a figure of EUR 6,038 thousand – to EUR 17,990 thousand.

Cash flow from investing activities in 2009 amounted to minus EUR 623 thousand, having been EUR 15,668 thousand the year before. This reduction was particularly caused by the cash distribution to shareholders in December 2008.

Cash flow from financing activities rose from minus EUR 23,551 thousand to minus EUR 2,644



Assets



- Non-current assets
- Current assets

thousand, which was primarily due to the capital increase with a subsequent capital reduction in 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.

Statement of cash flows

The statement of cash flows is as follows:

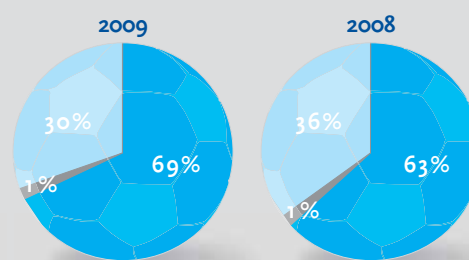
	2009 TEUR	2008 TEUR
Cash flow from operating activities	5.109	3.314
Cash flow from investing activities	(623)	15.668
Cash flow from financing activities	(2.500)	(23.551)
Change in cash funds from cash-relevant transactions	1.987	(4.568)
Cash at the beginning of the reporting period	5.317	9.885
Cash at the end of the reporting period	7.304	5.317

Balance sheets structure

Compared to the same key date the previous year, **total assets** were down 11 percent from EUR 46,477 thousand to EUR 41,355 thousand. The main reason for this is the lower figure for trade receivables. The **equity ratio** therefore rose from 62.9 percent to 69.1 percent. The equity capitalization continues to form a sound basis for realizing further growth targets.

On the balance sheet date, the REALTECH Group had **net cash and cash equivalents** of EUR 7,304 thousand (previous year: EUR 6,436 thousand).

Shareholders' equity and liabilities



- Shareholders' equity
- Current liabilities
- Non-current liabilities

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

Competent employees are a key component in the success of a business: With their technical expertise and excellent performance they safeguard REALTECH's leading position in the market place. The company therefore continues to make every effort to retain its highly specialized employees in the long term. REALTECH can rely on its trump cards in the field of human resources in the competitive market to recruit the talent all companies are seeking. They can provide tailor-made offers for further training, international prospects, individual development options and clear career paths. The low level of fluctuation provides the best possible proof that REALTECH is considered by employees to be an attractive company to work for.

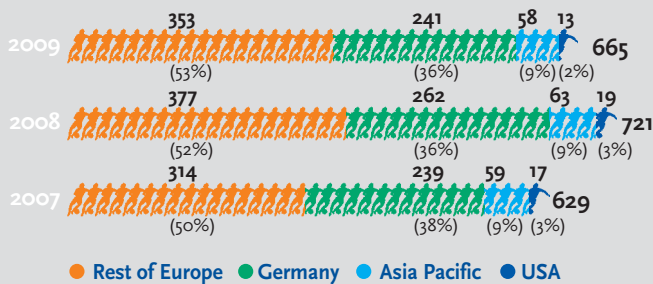
Another non-financial performance indicator worth mentioning is the high level of customer satisfaction. The customer survey that we carry out each year has shown that 95 percent of customers are "satisfied", if not "highly satisfied", with our performance.

DECLARATION ON THE MANAGEMENT OF THE COMPANY

REALTECH AG's management and supervisory bodies adhere to the principles of responsible and good company management. In this declaration the Executive Board reports on the management of the company in accordance with § 289a of the German Commercial Code (HGB) and also submits a report on its own behalf and on behalf of the Supervisory Board in respect of the Corporate Governance of the company in accordance with Section 3.10 of the German Corporate Governance Code.



Employees by regions (end of year)



6,90

14 | 05 | 09

Declaration of compliance and Corporate Governance Report

The Executive and Supervisory Boards regularly examine issues relating to good corporate management. In particular, they have obtained information about the new aspects of the German Corporate Governance Code in fiscal year 2009 and made a critical appraisal of how to comply with the recommendations. The outcome of their discussions was the approval of an updated annual declaration of compliance dated December 9, 2009, which is made permanently available on the company's website.

It was worded as follows:

"The Executive and Supervisory Boards declare that REALTECH AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code dated June 6, 2008 since its last declaration of compliance was made on November 27, 2008 and until August 5, 2009. Since August 6, 2009 it has and will continue to comply with the version dated June 18, 2009. This applies subject to the exceptions listed below:

At present, a deductible of at least 10 percent of the amount of the damage but a maximum of one and a half times the fixed annual remuneration for the Executive Board member has not been agreed. A corresponding deductible for the Supervisory Board has also not been agreed (Section 3.8, (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 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. In accordance with Section 93, (2), Sentence 3 of the Aktiengesetz (AktG – German Stock Corporation Act) which came into force on August 4, 2009, a deductible ranging from at least 10 percent of the amount of the damage to an amount at least one and a half times that of the fixed annual remuneration for the Executive Board member is agreed, to take effect from July 1, 2010. In addition, a corresponding deductible is agreed for the Supervisory Board.

Currently more than two former members of the Executive Board belong to the Supervisory Board. (Item 5.4.2, Sentence 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, (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.

Walldorf, December 9, 2009

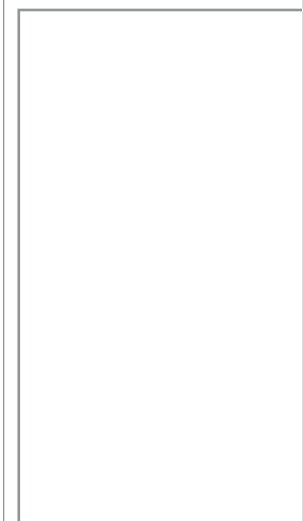
For the Supervisory Board of REALTECH AG

Signed,
Daniele Di Croce

For the Executive Board of REALTECH AG

Signed,
Nicola Glowinski
Signed,
Dr. Rudolf Caspary"





● Notes on management practices

REALTECH AG gives high priority to corporate governance. The Executive and Supervisory Boards are conscious of their obligation to manage the company in a responsible way that will stand the company in good stead in the future, thus securing its continued existence and delivering sustained added value. Good corporate governance also includes dealing with risk in a responsible way. The Executive Board has put in place an appropriate system for managing and controlling risk in the company (for this, please see the comments in the risk report of the Group Management Report) and ensures that all legal and statutory requirements are met, including compliance with the recommendations of the German Corporate Governance Code. Internal company monitoring, reporting and compliance structures are audited and developed on an ongoing basis, and adapted to meet changed underlying conditions.

More extensive corporate management instruments, such as separate corporate governance principles or compliance guidelines, on account of specific company circumstances at REALTECH AG are currently not required. Should future developments make it necessary to put additional instruments in place, the Executive and Supervisory Boards will respond immediately.



● How the Executive and Supervisory Boards operate

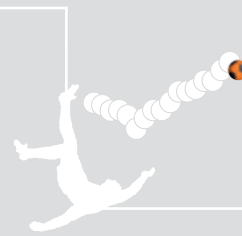
● Dual management structure

As stipulated in the German Stock Corporation Act (AktG), as a publicly quoted stock corporation REALTECH AG has the dual management structure of an Executive Board and an Supervisory Board. Both bodies are strictly separated and therefore they are able to fulfill their different tasks independently. The Executive Board is responsible for the management of the company, whereas the function of the Supervisory Board is to monitor.

● Close cooperation between the Executive and Supervisory Boards

The Executive and Supervisory Boards work together closely in the interest of the company. This guarantees optimum use of the specific expertise of Board members and allows joint decisions to be made more quickly. The Executive Board regularly provides the Supervisory Board with comprehensive and up-to-date information on strategy, planning, risks, risk management and current business developments.

The Executive Board develops strategic proposals, agrees these with the Supervisory Board and then ensures that these are implemented. In the case of detailed defined measures of great significance such as extensive investments, the rules of procedure for the Executive Board require the approval of the Supervisory Board. The Supervisory Board has also defined its own rules of procedure for its work. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the Board in public. The report by the Supervisory Board provides a summary of the nature and scope of the Supervisory Board's work during the 2009 fiscal year.



● Disclosure of conflicts of interest

Each Executive and Supervisory Board member discloses to the Supervisory Board possible conflicts of interest which may occur. Where the Supervisory Board decides on contracts with members of the Supervisory Board as defined by Section 114 of the German Stock Corporation Act (AktG), the member of the Supervisory Board concerned is not involved in making the decision. No decisions on relevant contracts were made during the year under review.

● Checking the efficiency of the Supervisory Board's work

The Supervisory Board regularly subjects its work to critical appraisal. The appraisal is made using a questionnaire designed specifically for the company and the results are evaluated in a timely manner. The results are discussed in detail and the findings incorporated in future work.

● Committee to promote more efficient work

Because the Supervisory Board only consists of three members, the Supervisory Board of REALTECH AG has not established any committees. As a result, all Supervisory Board members decide on all issues in which the Supervisory Board is involved. The fact that there is no need to make reports to full Supervisory Board meetings, which would otherwise be necessary, also makes for greater efficiency.



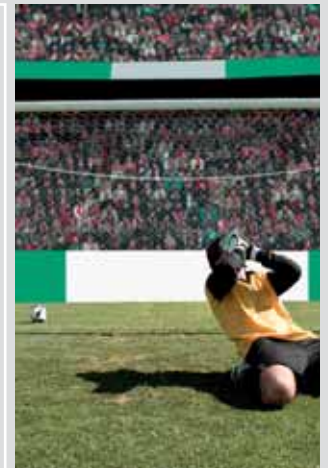
● Composition of the Executive and Supervisory Boards

The Executive Board is made up of two members. Duties are shared between the members of the Executive Board and these are set out in a plan assigning business responsibilities. The Executive Board passes resolutions by simple majority of those members voting on the resolution. If there is a tie in the number of votes cast, the proposed resolution is submitted to the Chairman of the Supervisory Board with a request to mediate.

REALTECH AG's Supervisory Board is made up of three members, who are all elected by the General Meeting. The Supervisory Board elects from its members a Chairman and a Deputy Chairman. The members of the Supervisory Board are elected for a term of office up to the end of the General Meeting which formally approves the actions of company management for the fourth fiscal year after the start of the members' terms of office. The fiscal year in which the term of office begins is not counted. At the present time, REALTECH AG's Supervisory Board is made up of three members who were previously members of the Executive Board.

The term of office of the Supervisory Board members ends with the conclusion of the General 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 Item 9.1 of the Articles of Association, the Supervisory Board is made up of three members to be elected at the General Meeting.

Please see the Notes to the Consolidated Financial Statements in respect of specific details about those persons who make up both Boards and the information in Section 285 No. 10 of the German Commercial Code (HGB).





Basic structure of Executive Board and Supervisory Board remuneration (remuneration report)

Remuneration of the Executive Board members

The Executive Board's remuneration is decided by the Supervisory Board and regularly reviewed. Apart from fixed remuneration and incidental benefits, Board remuneration consists of a variable performance-based component plus a component to act as a long-term incentive. The total remuneration and the individual components of the compensation are appropriate for the tasks of the Executive Board member concerned, his personal performance, the economic situation, and the success and future prospects of REALTECH AG. It also takes into account comparable situations and the remuneration structure which applies elsewhere in society.

Remuneration structure in 2009

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 2009 was dependent on the extent to which the previously defined overall company goal for Group EBIT is met (prior to acquisition costs).

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 five 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 two years following issue of the convertible bonds for 40 percent of the rights simultaneously granted to holder, after a period of three years following issue of the convertible bonds for a further 30 percent, and after a period of four years following issue of the convertible bonds for the remaining 30 percent. Convertible bonds may only be exercised within certain, previously defined exercise windows. You will find more information on convertible bonds in Item 12 of the Notes to the Consolidated Financial Statements. The Chief Executive Officer, Mr. Nicola Glowinski, received 79,000 convertible bonds on December 31, 2009 and Dr. Rudolf Caspary received 40,000. Authorization to issue convertible bonds lapsed on May 15, 2007.

Changed remuneration structure in 2010

In view of the legislation which came into force on August 5, 2009 concerning the appropriateness of Executive Board Remuneration, the Supervisory Board has discussed and examined in depth the existing remuneration structure of the Executive Board. The focus is on the incentive to create value for the company over the long term, with

an appropriate overall compensation package and the creation of variable remuneration reflecting REALTECH AG's business model, which concentrates on consultancy.

In February 2010 the Supervisory Board decided to change the remuneration structure so that, apart from the fixed salary, a variable payment is made in the form of a bonus amounting to 3.5 percent of Group EBIT after minority holdings, providing Group EBIT is at least EUR 2 million. Maximum variable remuneration is EUR 500 thousand.

Furthermore, in future Executive Board members will have an obligation to purchase at least 10 percent of the variable remuneration they are paid in each calendar year and to do this at least three years from the date of purchase. This also applies to the time after they have left the company. It is therefore ensured that the variable remuneration also takes into account the sustained development of the company where the basis of measurement extends over a number of years.

The Supervisory Board is of the opinion that a more extensive arrangement on the long-term nature of the variable remuneration would not result in any further advantages, bearing in mind REALTECH AG's business model. The majority of REALTECH AG's revenues are still generated by the consultancy business. This requires all employees and the Executive Board to have the ability to respond very quickly to continuously changing markets and customer situations. The main aspect of daily decision-making processes is purely the benefit provided for customers, with a view to making maximum use of the consultants' capacity, whilst also charging out consultants at the highest possible daily rates. Consequently, this is hardly amenable to medium-term planning. If this used the basis for measurement with variable remuneration, it could even be counter-productive when it comes to operative decision-

making processes. A remuneration structure that is primarily determined by the annual Group EBIT yet with relatively low fixed remuneration means that a substantial proportion of personnel costs become variable costs that depend on profit. This is a remuneration structure, which has been successfully applied at all levels of REALTECH AG over many years and, consequently, should also be used at Executive Board level.

In view of the obligation to invest part of the variable remuneration in the company's shares and to hold these for a minimum of three years, the Supervisory Board considers that this provides the members of the Executive Board with sufficient incentive to achieve a good performance for the company in the long term. The obligation to purchase the company's shares therefore supersedes the discontinued convertible bond scheme. It is also considerably easier to operate and the associated administrative costs are lower. The long-term incentive is reinforced through the increase in the number of shares held during the retention period.

Leaving the Executive Board

The contracts of the Executive Board members do not provide for any promised severance payments in the event of a "Change of Control" or premature termination of work for the Executive Board without good reason.

Remuneration in fiscal year 2009

Remuneration received by the Executive Board in fiscal year 2009 totaled EUR 491 thousand (compared to EUR 900 thousand in the previous year). The portion not linked to targets (including non-monetary benefits from company cars and social security allowances) was EUR 444 thousand (previous year: EUR 446 thousand). As it was not possible to achieve the overall company goal for





Group EBIT, no success-based remuneration was due (previous year: EUR 454 thousand). As in 2008, no share-based payments were made in 2009.

In accordance with the decision of the General Meeting on May 16, 2006, this remuneration is not shown separately for the various individuals (Section 286, paragraph 5 of the German Commercial Code (HGB)).

Remuneration of the Supervisory Board members

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 full 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 the REALTECH share price 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 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 2009 totaled EUR 72 thousand (previous year: EUR 81 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 27 thousand (previous year: EUR 36 thousand).

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

Directors' dealings in fiscal year 2009

In accordance with Section 15a of the German Securities Trading Act (WpHG), company managers have to disclose when they purchase or sell shares in REALTECH AG or instruments that relate to these, if a minimum threshold of EUR 5,000 is reached in a calendar year. In the 2009 fiscal year, transactions at REALTECH AG that required reporting were as listed in Table 1:

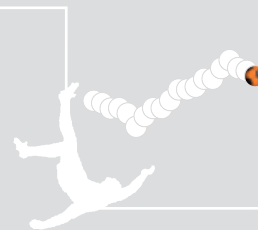


Table 1

Name	Status	Trading day/ Stock Exchange	Name of the financial instrument	ISIN	Price (EUR)	Number	Transaction volumes EUR	Explanation
Nicola Glowinski	Executive Board	11.05.2009 Off-market	Convertible bond	DE0007008906	3,96	9.000	35.640	Conversion of convertible bonds as part of the CB-Program 2004
Dr. Rudolf Caspary	Executive Board	11.05.2009 Off-market	Convertible bond	DE0007008906	3,96	9.000	35.640	Conversion of convertible bonds as part of the CB-Program 2004
Nicola Glowinski	Executive Board	12.05.2009 Xetra	Shares	DE0007008906	7,08	4.000	28.308	Sale of shares
Nicola Glowinski	Executive Board	13.05.2009 Xetra	Shares	DE0007008906	6,53	21.500	140.366	Sale of shares
Nicola Glowinski	Executive Board	14.05.2009 Xetra	Shares	DE0007008906	6,90	1.200	8.280	Sale of shares
Nicola Glowinski	Executive Board	15.05.2009 Xetra	Shares	DE0007008906	6,68	2.991	19.965	Sale of shares
Nicola Glowinski	Executive Board	18.05.2009 Xetra	Shares	DE0007008906	6,60	1.309	8.639	Sale of shares
Dr. Rudolf Caspary	Executive Board	19.05.2009 Xetra	Shares	DE0007008906	6,61	9.000	59.490	Sale of shares

Shareholding in the Executive and Supervisory Boards

The number of shares held directly or indirectly (as defined by Section 15a of the German Securities Trading Law – WpHG) by members of the Executive and Supervisory Boards or financial instruments that relate to these in percent of the issued shares:

Table 2

Executive Board	Number of shares as at 31.12.2009	In % of total issued shares
Dr. Rudolf Caspary	29.000	0,55
Nicola Glowinski	15.000	0,28
	44.000	0,83

Supervisory Board	Number of shares as at 31.12.2009	In % of total issued shares
Daniele Di Croce	885.500	16,72
Rainer Schmidt	765.500	14,45
Peter Stier	745.500	14,08
	2.396.500	45,25

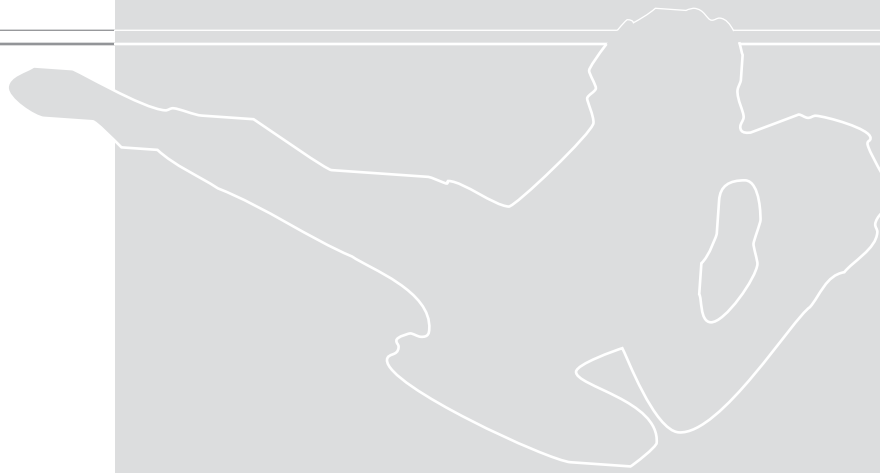
Shareholders and the General Meeting

The shareholders of REALTECH AG exercise their rights at the General Meeting. The General Meeting elects the members of the Supervisory Board and passes resolutions for formal approval of the actions of the Executive and Supervisory Boards. It also decides on the remuneration of the Supervisory Board. It decides on the use of the net profit, changes to the Articles of Association and important structural measures, which affect fundamental aspects of the company. All shareholders are entitled to attend the General Meeting, to vote in respect of their registered shares and question the Executive Board.

Transparent communications

REALTECH AG provides extensive reports each quarter on business development and the situation in respect of income, finance and assets. In addition, the public is informed about developments at the company, using a variety of media. Insider information, which could have a consi-





derable impact on the share price, is published immediately as ad hoc reports. REALTECH AG's website is an important tool for informing the shareholders, investors and general public. Here the company provides its financial reports as well as its ad hoc reports and other press releases in German and English. The financial calendar provides information on important dates.

Accounting and auditing

REALTECH AG produces its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) but the single entity financial statement is produced in accordance with the rules of the German Commercial Code (HGB). The full-year accounts are produced by the Executive Board and checked by the Supervisory Board: the same applies to quarterly and six-monthly financial reports. The Supervisory Board proposes the auditors, which are elected by the General Meeting. Prior to this, the auditors make a declaration to the Supervisory Board confirming their independence. The Supervisory Board issues the audit assignment and defines the points on which the audit is to focus and determines the audit fee.



DISCLOSURES AS PER SECTION 315, PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATIONS IN ACCORDANCE WITH SECTION 176, PARAGRAPH 1 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

REALTECH AG is required to provide disclosures in accordance with the catalog in Section 315, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB) and explanations in accordance with Section 176, paragraph 1 of the German Stock Corporation Act (Aktiengesetz, AktG) for the past fiscal year (2009). To meet this requirement, the company is providing the following information:

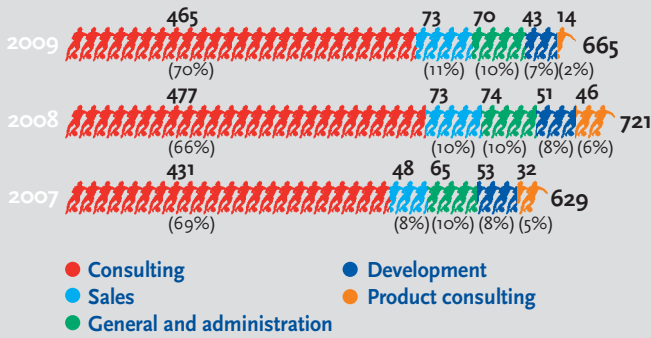
Share capital is made up as follows: The company's share capital amounts to EUR 5,295,952.00 and is divided into 5,295,952 no-par value shares. The shares are in the name of the holder. There are no shares with special rights (Section 315, paragraph 4, point 4 of the German Commercial Code).

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 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.



Employees by sectors (end of year)



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 the 2008 and 2009 fiscal years, contingently issuable capital has decreased by EUR 14,300.00, which has not yet been entered in the commercial register. The company's contingently issuable capital on the balance sheet date amounted to EUR 239,200.00 (2,392 bonds each consisting of 100 shares).

As of the end of the day of the Annual General Meeting on May 19, 2009, 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 5,260,452.00 at this point in time) up until November 18, 2010 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 is not aware of any restrictions as defined by Section 315, paragraph 4, point 2 of the German Commercial 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 2009 development activities focused on the Guard! family of products. This complete solution allows customers to automate the monitoring of their IT systems, analyze the performance of corporate applications and organize the service and support for complex IT environments. REALTECH solutions therefore make a long-term contribution to the success of IT-supported business processes.

Investments

In the 2009 fiscal year REALTECH invested a total of EUR 3,845 thousand in research and development (R&D). Compared to the previous year (EUR 4,622 thousand), expenditure was 17 percent lower. Accordingly, R&D activities as a share of total revenue fell from seven to six percent. On December 31, 2009, the Group employed 45 people at its Walldorf and Schweitenkirchen sites in Germany (previous year: 51 employees).

Identifying market requirements

For theGuard! software to be successful it is crucial that the solution is always closely aligned to market requirements. In the course of many conversations with customers, REALTECH has – yet again – established that an important feature of work within IT departments continues to be that tasks are becoming more complex yet fewer members of staff are available to carry out this work.





REALTECH has responded to this trend and the individual products of theGuard! family are now even more closely integrated. This allows data about business processes and IT systems to be presented even more clearly and transparently for those in charge of IT. At the same time, the user interfaces have been revised to incorporate improved ergonomics and the latest technology (.net 4.0, Silverlight), thus making day-to-day work with theGuard! solutions even simpler and more efficient.

At the same time, the product portfolio has been restructured and brought together under the family brand of theGuard!. A new product logo is also a visual expression of the changes.



In detail, the products theGuard! Application-Manager and theGuard! NetworkManager have

been combined and are now sold under the name theGuard! Business Service Manager. Also, a solution for Inventory & Asset Management will also be offered under the theGuard! family brand. This will allow organizations to cover all installed hardware and software components within the company automatically. The new theGuard! ServiceDesk solution supports the IT department's work procedures, focusing on customer-centric service and support processes. With the new complete package companies will obtain a comprehensive solution which presents all information on a complex IT infrastructure clearly yet, at the same time, provides efficient support for the day-to-day work of the IT organization in the form of productive tools.

The new product theGuard! SyncAssist was also launched in 2009. This solution accelerates the application development and change management of SAP applications by automating the distribution of new software modules across sites, thus ensuring that all SAP installations are working

with an identical version of the software. When combined with the product theGuard! Transport-Manager, companies can enhance the quality of their SAP systems over the long term, whilst also reducing their administrative outlay and cutting development times.

Although delivery of theGuard! SyncAssist was delayed slightly, the product has already achieved a significant proportion of revenue. This highlights the fact that REALTECH gears development activities for its software solutions to demand and in line with customer requirements.

Prospects

In 2010, too, R&D activities will be guided by current technological trends such as ITIL, Business Service Management and Application Lifecycle Management. Consequently, one of the projects planned for 2010 is to complete the new theGuard! ChangePilot product. This solution supports the change management for any applications within the company. With this product REALTECH is appealing to new target groups in the Application Lifecycle Management segment by supporting application systems over their entire life cycle.

In 2010, REALTECH entered into a software partnership with SAP. The agreement covers the development of their shared "SAP for IT" product. The Executive Board is therefore expecting investment in research and development to increase slightly. The management is also expecting that the new products, combined with a more stable economic situation, will result in the software business segment playing a greater role in the company's success.





RISK MANAGEMENT

As a company with international 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 a comprehensive risk management system. This allows the company to detect risks early on, analyze them and take appropriate corrective action. 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. Areas that are monitored include the entry, checking 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, REALTECH has established a uniform, Group-wide 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 corrective action and regularly report on risks to management or the Executive Board. The risks of the individual companies are the crucial factors influencing the risk position of the holding company.

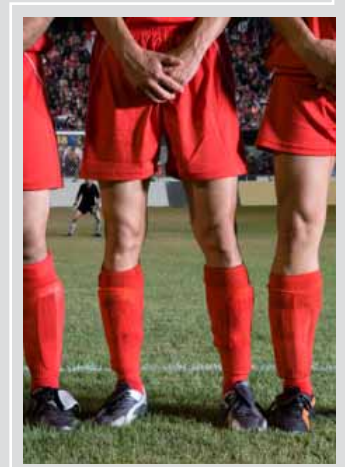
Uniform risk assessment throughout the corporate group

When assessing risks, REALTECH considers their probability of occurrence and the extent of damage that they would cause. For this, the company uses both quantitative and qualitative methods. These 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 assessment matrix as a basis to perform qualitative risk assessments. In this process, the company estimates the probability of occurrence of individual risks. Possible implications of a risk are estimated over a time frame of three years so that risks can be prioritized 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.

Significant company risks established by the risk management system are listed below. This list is based on the structure of the internal risk management reporting system.

Economic risks

In 2009 the environment in which REALTECH AG was operating was strongly influenced by the erratic nature of the global economy. Tougher conditions on the capital markets and a reluctance among customers to invest slowed down business development at REALTECH AG. Late receipt of payments, uncollectable receivables and the possibility of customers and business partners becoming insolvent may also affect the company's development in 2010.

Other 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. However, 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 balance out regional economic difficulties through better results on other 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 regime.

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 solutions offered by 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 stable 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 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. Furthermore, REALTECH is convinced that it can meet customer's technical requirements. Thanks to its years of experience REALTECH is able to make a realistic appraisal of project risks and predict the costs entailed to fulfill orders. For this reason, the Group considers it unlikely that product innovations and new services will have any significant negative impact on income growth.

Personnel risks

The highly qualified employees form the basis for the development and marketing of services and products. If large numbers of employees choose to leave the company and the company is unable to find new, well-qualified staff on the employment market, 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 as well as 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. Furthermore, we have taken IT precautions to prevent confidential information being forwarded via external communications networks. Employees who regularly work with confidential information are equipped with special hardware including additional data encryption. 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 yet 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, under certain circumstances, 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 sustained 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 obtains extensive legal advice when making decisions and designing business processes. This advice is obtained both from its own experts and outside experts. REALTECH principally uses copyright and trademarks to protect rights, software and intellectual property. However, it is not possible to rule out the possibility completely that market participants may copy REALTECH products or misuse existing rights.

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

In order to expand its business, REALTECH has in the past purchased not only companies, but also products and technologies. The risks typical of such transactions include the integration of the acquired company and the technologies or products concerned into existing technologies and products, a possible interruption to ongoing business activity, problems in obtaining important specialists and executives, the unwitting adoption of essential obligations of the acquired company, and possible negative effects on relationships with partner companies or customers.

REALTECH combats these risks with a wide range of measures, ranging from a comprehensive technical, financial, tax-related and legal due diligence verification of the acquisition object and end-to-end risk assessment to establish major transaction and integration risks, through to detailed integration planning and implementation by special integration teams. As REALTECH has acquired only a relatively small number of companies up to now, the risks described above appear controllable, and it is unlikely that they will trigger any significant negative influence on the company's expected earnings.

No developments can currently be observed that may endanger the company's continued existence or have a substantial detrimental effect on the company's net assets, financial position and earnings. An overall assessment of risks and the risk management system used have shown that only a few, limited risks exist and that the risk management system works efficiently.





EXPLANATORY REPORT ON THE INFORMATION IN SECTION 289, PARAGRAPH 5 AND SECTION 15, PARAGRAPH 2, NO. 5 OF THE GERMAN COMMERCIAL CODE (HGB)

Important characteristics of the internal control system and the risk management system in respect of the accounting process

The important attributes of the internal control systems that exist at REALTECH AG and the risk management system in respect of the (Group) accounting process can be described as follows:

A feature of the REALTECH Group is its clear organizational, corporate, control and monitoring structure.

Planning, reporting and controlling systems as well as early warning systems and processes exist throughout the company for end-to-end analysis and control of risk factors likely to have an effect on earnings and risks that endanger the company's continued existence.

The functions in all areas of the accounting process (e.g. financial accounting, accounting and internal audit) are clearly assigned.

The IT systems used for accounting are protected against access by unauthorized persons.

The financial systems used largely rely on standard software.

Adequate internal guidelines (including guidelines such as risk management guidelines valid throughout the Group) are in place and adjusted if required.

The departments involved in the accountancy process meet the quantitative and qualitative requirements.

Checks are regularly made on the basis of random samples and plausibility checks to ascertain that the data used for accounting is complete and correct, using both manual checks and software. A risk controller is established at each segment level to support the risk management process at segment level and ensure that data is plausible.

Important processes relevant for accounting are subject to regular analytical checks. The existing group-wide risk management system is continuously adjusted to current developments and regularly checked to ensure that it is working. The system has been examined by Grant Thornton GmbH, auditors, Hamburg (Heidelberg office) in the course of auditing the Group's accounts.

The principle of dual control is consistently applied to all processes relating to the accounting process.

Areas covered by the Supervisory Board include key accounting issues, risk management, the audit assignment and the key points on which it is to focus.



Explanation of important characteristics of the internal control system and the risk management system in respect of the accounting process

The internal control and risk management system in respect of the accounting process, key characteristics of which have been described above, ensures that corporate information is properly recorded, prepared and evaluated in the balance sheet and then adopted in the external accounting system.

The clear organizational, corporate, control and monitoring structure and the adequate resources devoted to accounting, in terms of both personnel and equipment, provide the basis for efficient work in the areas involved in the accountancy process. Clear statutory and internal company specifications and guidelines ensure that a standardized and proper accountancy process is used. The clearly defined verification mechanisms within the areas involved in the accountancy process itself, audits by the controlling department and early identification of risks by the risk management department ensure that the accountancy process is coherent and error-free.

The internal control and risk management system ensures that REALTECH AG and all the companies involved in the consolidated financial statements use standardized systems which are consistent with both legal and statutory requirements and internal guidelines. In particular, the standardized risk management system within the Group, which fully complies with legal requirements, needs to identify risks at an early stage, assess them and communicate these in an appropriate manner.

This will ensure that the recipients of the report will be provided with appropriate, relevant and reliable information which is up to date.

Control systems

Planning for the financial year is undertaken once a year using the bottom-up/top-down method. A comparison of the planned data and the actual data is made every month. Deviations are continuously reported to the Executive Board and Supervisory Board. The assumptions made during the planning process are continuously checked. A system for key performance figures customized for the company is used as a strategic control system.

The strategy focuses on optimizing shareholder value. The consideration of shareholder value includes measures of value which at first glance are not financial indicators, such as customer satisfaction, corporate identity and environmental issues.





OUTLOOK

The 2009 fiscal year was a very difficult and challenging year for REALTECH. As far back as the end of 2008 it was very noticeable that the mood in the economy was becoming increasingly gloomy as a result of the global financial crisis. REALTECH AG's customers were also not immune to the crisis in the wider economy, the full impact of which was felt in 2009. This was reflected in a downturn in project business and unusually late payments by customers. Because customers were increasingly reluctant to invest, IT projects were cancelled and decisions were delayed. This had a direct influence on business development at REALTECH AG. Group revenue fell by 13 percent to EUR 61,675 thousand and EBIT changed to EUR 2,578 thousand (previous year: EUR 7,026 thousand).

In 2009 REALTECH AG proved that the company can hold its own in the market, even in an economic downturn. Although revenue and EBIT fell, the company managed to achieve positive values for the most important key company figures.

REALTECH will also experience tremendous challenges in 2010. However, the Executive Board is confident that it is well equipped for the future with its existing products and services. Even in economically challenging times, an IT infrastructure that delivers optimum performance provides an important basis for companies to operate successfully in the market place. REALTECH's consultants specialize in working with customers to optimize IT systems as well as the business processes on which they are based.

The two segments of consulting and software offer a portfolio of products and services which have been tried and tested in practical applications.

With our solutions customers have concrete proof of the benefits gained through investments made in their IT infrastructure.

The development of the holding company is independent of the development of the subsidiaries.

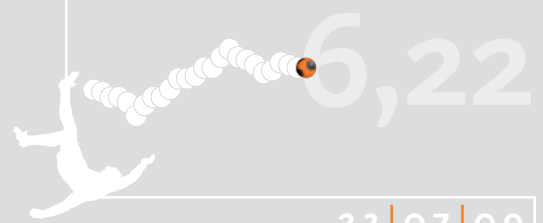
Mastering processes and technologies

In times of crisis particular attention again focuses on accurate cost management and efficiently organized cooperation across departments and sites. Customers therefore endeavor to make a critical appraisal of existing company processes and to optimize these with the help of external advisers and appropriate IT solutions.

An important selling point in favor of REALTECH is the combination of specialist technical knowledge of SAP and process consultancy. Concentration on higher-value projects with intensive consultancy requirements will continue to play an important role in the company's own strategy.

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. The solutions ensure that critical company processes and the IT systems on which they run will operate without any interruptions. Customers benefit from the high level of automation of manual processes in relation to the operation of complex IT infrastructures. In the future, too, REALTECH will be consistently enhancing its software portfolio on the basis of its existing products and align this closely to customer requirements.





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The current fiscal year

Europe will be the geographical focus of business activities in Europe in 2010. The Group is in a strong position in Germany, Italy and Spain in both qualitative and quantitative terms and is established as a trusted partner in the market. The Executive Board has identified these regions as having the potential required to generate further growth with the help of the company's own solutions and products.

The priorities set in 2009 will continue to be important in the 2010 fiscal year. REALTECH intends to concentrate on achieving profitable growth, obtaining positive cash flow and recording a higher profit margin than was achieved in 2009.

For the current year the Executive Board is planning to increase EBIT by more than 20 percent compared to the previous year. For this, REALTECH has to offer expert advice and innovative solutions to win out against the competition. At the same time, REALTECH will make its own those relevant IT and business topics which give customers high and clearly measurable benefits.

The most important capital a software and consultancy business possesses is motivated and well trained staff. REALTECH is still of the opinion that its highly qualified employees are the crucial success factor so that it can expand its position in the market further. This is particularly true in an economic environment dominated by continuing uncertainty. For this reason, REALTECH considers that, in the future too, it is of crucial importance to protect the investment made in employees over a number of years and avoid making redundancies in the Group.

Market researchers and the economic research institutes are forecasting moderate economic growth for Germany and the eurozone in 2010. It is also anticipated that investment in IT will again see a slight rise globally. Developments over the first few weeks of 2010 and the first positive discussions with customers give credence to the opinion that REALTECH AG can expect business to remain on a steady course.

For 2010 the Executive Board is planning for moderate revenue growth and an increase in EBIT of more than 20 percent compared to the previous year. 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 fiscal year 2011 for the time being and wait until reliable economic data regarding overall economic development becomes available.

Walldorf, February 26, 2010
REALTECH AG
The Executive Board

