

TRAINER'S BENCH





4,81

21 | 01 | 09

Report of the Executive Board



In 2009 REALTECH AG's team fought with passion. In spite of having to operate repeatedly on extremely difficult ground, the team achieved a respectable result. We talked to CEO Nicola Glowinski about the challenges of the year that has just ended and what the future holds in store.

Report of the Executive Board

Mr. Glowinski, how do you think REALTECH AG has done over the past year?

First of all, I would like to pay our team a huge compliment. In spite of a difficult economic environment, they demonstrated a genuine team spirit and gave a great performance. Because of the economic crisis, it was already clear at the end of 2008 that the next year would be a challenging one for us. Then, in 2009, we actually saw our revenue decline by 13 percent, because our customers delayed planned IT projects or cancelled them completely. However, we gave an impressive demonstration that we can also cope in stormy times. The outcome of this is that the most important key company figures are positive, numerous new customers have been gained, the headcount has remained stable and the share price has risen by 44 percent.

So, can you tell us in detail how the business has performed?


The global financial and economic crisis has been the factor that has dominated our business in nearly all countries where REALTECH is active. For instance, Group revenue fell from EUR 70.8 million to EUR 61.8 million and this was reflected in the EBIT, which declined from EUR 7 million to EUR 2.58 million. The consulting business area generated EUR 49.5 million, which was 8 percent lower. Revenue from in-house software development was down by 28 percent to EUR 12.1 million. We have naturally worked intensively during the fiscal year to match activities at an operational level to the emerging trend as regards revenues. An appropriate program to reduce costs started as early as 2008 and the effects were soon clear to see. In spite of the tough economic environment, REALTECH managed to boost cash flow from operations, increasing it from EUR 3.3 million in 2008 to EUR 5.2 million. The net liquidity climbed from EUR 6.4 million to EUR 7.4 million.


It is usual for a team to play particularly well at their home ground. How is business in Germany?

In Germany, too, the volume of orders fell because of the economic crisis, with the result that our revenues declined by 16 percent to EUR 25.4 million. When it came to our away games, revenues in Europe excluding Germany fell by a total of 11 percent. However, revenue in Portugal was up. The USA saw a downturn of 20






 **Nicola Glowinski** (Chief Executive Officer)


 **Dr. Rudolf Caspary** (Chief Technology Officer)

percent, whereas Asia Pacific remained largely stable. As was the case in previous years, the countries that generated the highest revenues were Germany, Spain and Italy.

 **How did you position yourself on the market in 2009? Have you tried to change tactics during the game?**

It is true that we have been flexible in the way we have adapted to the changed market conditions. For us it has meant that we have structured our offering so that it concentrates even more on customers. For instance, over the last year we have again concentrated more on our conventional consultancy business relating to the strategic deployment of SAP solutions, because there was less demand for IT projects of a highly technical nature. For our customers, too, it was particularly important to be able to put an accurate figure as possible on the economic benefit of an IT solution. Here we supplied concrete figures on the potential for optimizing IT systems and business processes. In addition to this, customers changed the planned duration of projects while implementation was taking place. Companies wanted to have their new IT system in operation even more quickly so that they could make use

of the operative advantages for their business at the earliest opportunity. All this placed high demands on our employees but together we coped successfully with these.

 **You have changed the organizational structure of the Group. What can you tell us about the background?**

We changed our team line-up in the first quarter of 2009 and this resulted in a new company structure. The consultancy and software businesses have each been transferred into independent operative units. The stock corporation, as the holding company, is now responsible for the strategic management of the international subsidiaries. With this structure it is easier for the business areas to define their individual objectives and set off on a path to growth.





● **The team's tactical attitude and fitness were excellent in 2009. How satisfied are you with the squad of players and what young players are coming on?**

REALTECH is a highly specialized software and consultancy company with excellent knowledge of SAP. This means that motivated and well-trained employees are our most important resource. They represent the crucial factor that will allow us to successfully expand our very good position in the market. In 2009, too, we placed great emphasis on systematic qualification for current technologies and trends. In addition to this, we organized special training schemes so, for example, we could involve university graduates and new employees in specific customer projects very quickly. The stable headcount in 2009 emphasizes that REALTECH is an attractive employer. In the future, too, it will be of crucial importance to REALTECH to protect the investment made in employees over a number of years and avoid making redundancies in the Group.

● **What is your view of the forecasts for the economy and the IT sector in 2010?**

Economic forecasts published by analysts and financial institutions are taken into account in our corporate planning. This is because, when the world economy is in the doldrums, our customers also tend to be cautious when it comes to investment in new IT solutions. Market researchers and the economic research institutes are expecting moderate economic growth for Germany and the eurozone in 2010. According to surveys in the industry, the IT sector is again slightly more optimistic when it comes to investments. At the start of 2010 we had many positive meetings with customers. We are therefore optimistic and expect that business at REALTECH AG will remain on a steady course in 2010.

● **Has the world economy come through the bad patch?**

REALTECH will also experience a challenging season in 2010. However, we are confident that we are well equipped with our existing and new solutions. It is also important to our customers that they have an IT infrastructure which works well in economically difficult times. IT systems provide a company with an important basis to operate successfully in the market. Our consultants specialize in working with customers to optimize IT infrastructures as well as the business processes on which they are based. This applies, in particular, to applications produced by SAP. We supply SAP solutions that can be used throughout the company, thus offering our customers high-quality consultancy services from well-trained personnel. This allows companies to optimize their business processes, reduce costs and beat the competition in the market place. Also, in the software segment we supply our theGuard! products, which are developed in house. With this software solution we analyze, monitor and optimize corporate networks and applications for companies, even covering complete business processes.

● **So, do the two business segments of consulting and software still focus on the SAP market?**

We have a portfolio of services and products for SAP solutions in both segments, which have been demonstrated to be successful in practice. However, our theGuard! software contains very many components, which also offer considerable benefits outside the SAP environment. For example, there are monitoring functions for worldwide corporate networks. Here theGuard! automatically outputs information on faults or signs of bottlenecks. Also, operators of computer centers can organize their service and support process much more efficiently by using theGuard!



What innovations can we expect from REALTECH in 2010?

We will extend our market position with targeted investments. For this, we will intensify our activities with partners, for example. We will use a broader sales channel and selective partnerships to give our range a higher profile internationally. We successfully struck up a partnership with SAP and we will together offer the “SAP for IT” software product. We consider this to be a great success and, once again, it demonstrates REALTECH’s high level of expertise in the SAP market. Naturally, we are also continuing to develop theGuard! family of products. We are therefore expecting that our investment in research and development will increase slightly in 2010.

What sort of business performance are you expecting from REALTECH AG in 2010?

We are assuming that the market will stabilize. Our assessment of the situation is based on the cautiously optimistic forecasts of the economic institutes. However, we always keep a close eye on the underlying economic situation and will respond to changed market situations. The new software partnership with SAP shows that we will become more involved in the SAP market in 2010. All in all, we are proceeding on the basis that REALTECH AG will see moderate growth in 2010 and that the EBIT will increase by at least 20 per cent.



REFEREES





Report of the Supervisory Board



DEAR SHAREHOLDERS,

Collaboration between the Supervisory Board and the Executive Board takes the form of an intense and cooperative dialog. These discussions form the basis for the Supervisory Board to operate efficiently. In the year under review, the Supervisory Board has met its obligations set out in legislation and the Articles of Association. Moreover, it has regularly advised the management of REALTECH AG and monitored its management activities. The Executive and Supervisory Boards regularly discussed how the company is developing and agreed on the company's strategic orientation. The Supervisory Board was directly involved in all decisions of fundamental significance for the company.

The Executive Board gave the Supervisory Board extensive information on the company's position at its meetings, in particular about business and financial development, the intended investments

and the personnel situation. Outside of the meetings, the Executive Board kept the Supervisory Board informed by means of monthly reports about key financial figures, and submitted issues requiring approval to the Supervisory Board in good time in order for a decision to be reached. Approvals were granted following examination of extensive documents, queries to the Executive Board and intensive discussions with members of the Executive Board. Furthermore, the Chief Executive Officer held regular individual meetings with the Chairman of the Supervisory Board to report on all important developments and any decisions needing to be reached.

Please see the "Declaration on the management of the company" section of the Group Management Report for information on how the Executive and Supervisory Boards operate.

Report of the Supervisory Board

Corporate Governance

The Supervisory Board regularly reviews the application of the company's Corporate Governance principles and established that, in the past fiscal year, REALTECH AG complied with the recommendations of the German Corporate Governance Code as specified in its compliance declaration.

Meetings of the Supervisory Board

The Supervisory and Executive Boards came together on six occasions in fiscal year 2009 to discuss the business situation of the Group, the strategic further development of its fields of business, as well as a range of other individual topics. Representatives of the auditing company elected at the General Meeting were also present at two meetings for part of the time.

The Supervisory Board discussed the company's current and future development on the basis of the information provided by the Executive Board. Where the law or Articles of Association required decisions from the Supervisory Board concerning individual business transactions and actions of the Executive Board, the Supervisory Board discussed these issues and reached the necessary decisions. On account of the fact that the Supervisory Board only consists of three members, there is no need to form committees.

The Supervisory Board meetings held in the 2009 fiscal year concentrated in particular on the effects of the financial and economic crisis on the development of the REALTECH Group as well as measures to stabilize the company's performance in times of crisis.

At the Supervisory Board's meeting in January 2009 the situation of REALTECH's international subsidiaries and the company's liquidity position were discussed. In February 2009 the Supervisory Board considered the provisional figures for the fourth quarter of 2008 and fiscal year 2008, final budget planning for 2009 and the economic

development of the international subsidiaries during the economic crisis. The meeting in March focused on the report submitted by the auditors, the approval and adoption of the consolidated financial statements for 2008 and annual financial statements for 2008, the outlook for the first quarter of 2009, and the approval of the agenda for the General Meeting in 2009.

The deliberations in July concentrated on the analysis of the half-year results of the REALTECH companies and the effects of the measures implemented to safeguard income and liquidity following the financial and economic crisis. The Supervisory Board also discussed possible consequences arising from changes in legislation such as the accounting law modernization act (BilMoG), legislation on implementing the shareholder rights directive (ARUG), the act on the appropriateness of management board compensation (VorstAG) and the German Corporate Governance Code.

The main focus of the November meeting was the report from the international subsidiaries looking forward to the 2009 fiscal year. Further points covered the Board remuneration model and the new requirements of legislation on management board compensation (VorstAG), the future corporate strategy and the investment required for this as well as the agreement on a deductible to be paid by the Executive and Supervisory Boards in respect of D&O insurance, as stipulated by the change in legislation to take effect on July 1, 2010. The Supervisory Board, together with the auditing company, defined the areas on which to concentrate during the audit of consolidated and annual financial statements.

At the last Supervisory Board meeting of 2009, held in December, the points considered were the budget for 2010, corporate planning for 2010 to 2012, the goals set for this period, issues relating to country and product strategies and the approval of the eighth declaration of compliance with the German Corporate Governance Code. The





— ● Rainer Schmidt — ● Daniele Di Croce (Chairman) — ● Peter Stier



Supervisory Board again made a thorough examination of the findings on the appropriateness and structure of Executive Board remuneration and agreed on the dates of Supervisory Board meetings in 2010.

● Members of the Executive and Supervisory Boards

There were no changes in the members of the Executive and Supervisory Boards in 2009. The Supervisory Board passed a resolution to extend the term of office and employment contracts of Executive Board members from March 25, 2009 to March 22, 2013 in each case.

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).

● Annual and consolidated financial statements

REALTECH AG's annual financial statements for 2009 and the management report, including accounting, were audited and issued with an unqualified audit opinion by the external auditing company Grant Thornton GmbH, Heidelberg, which was appointed in the General Meeting on May 19, 2009 and engaged as auditor by the Supervisory Board.

The same applies to the consolidated financial statement in accordance with IFRS/IAS. A Group management report was added to this. These

consolidated financial statements have been prepared in accordance with IFRS rules and the company is therefore exempt from the obligation to present consolidated financial statements in line with German law, as set out in Section 315a of the German Commercial Code (HGB).

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 and have been discussed in the presence of the auditors. The Supervisory Board has approved the result of the audit by the auditors and, in the context of an audit of its own, established that no objections need to be raised.

On March 24, 2010 the Supervisory Board approved the consolidated financial statements for 2009, the combined management report for 2009, and REALTECH AG's annual financial statements for 2009, and agreed to the Executive Board's proposal for the appropriation of net profits.

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

Walldorf, March 2010
The Supervisory Board
Daniele Di Croce
Chairman

