



REALTECH

REALTECH AG

Germany

- REALTECH System Consulting GmbH
- REALTECH Sales GmbH
- DB-Online GmbH
- LMC-LAN Management Consulting GmbH
- GloBE Technology GmbH

Rest of Europe

- REALTECH Italia S.p.A., Italy
- REALTECH System Consulting S.L., Spain
- REALTECH Portugal System Consulting
Sociedade Unipessoal Lda, Portugal

USA

- REALTECH Inc., USA

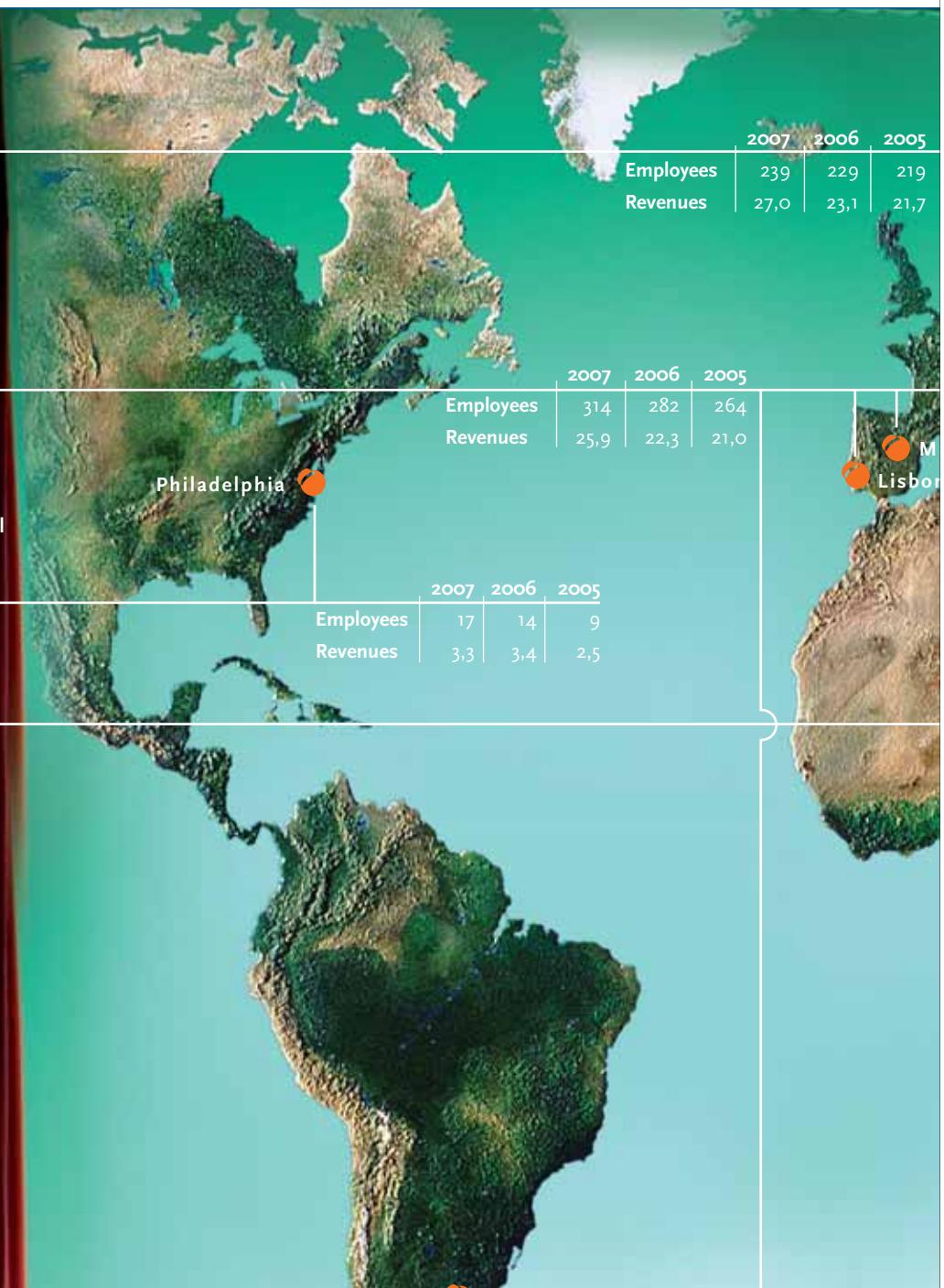
Asia Pacific

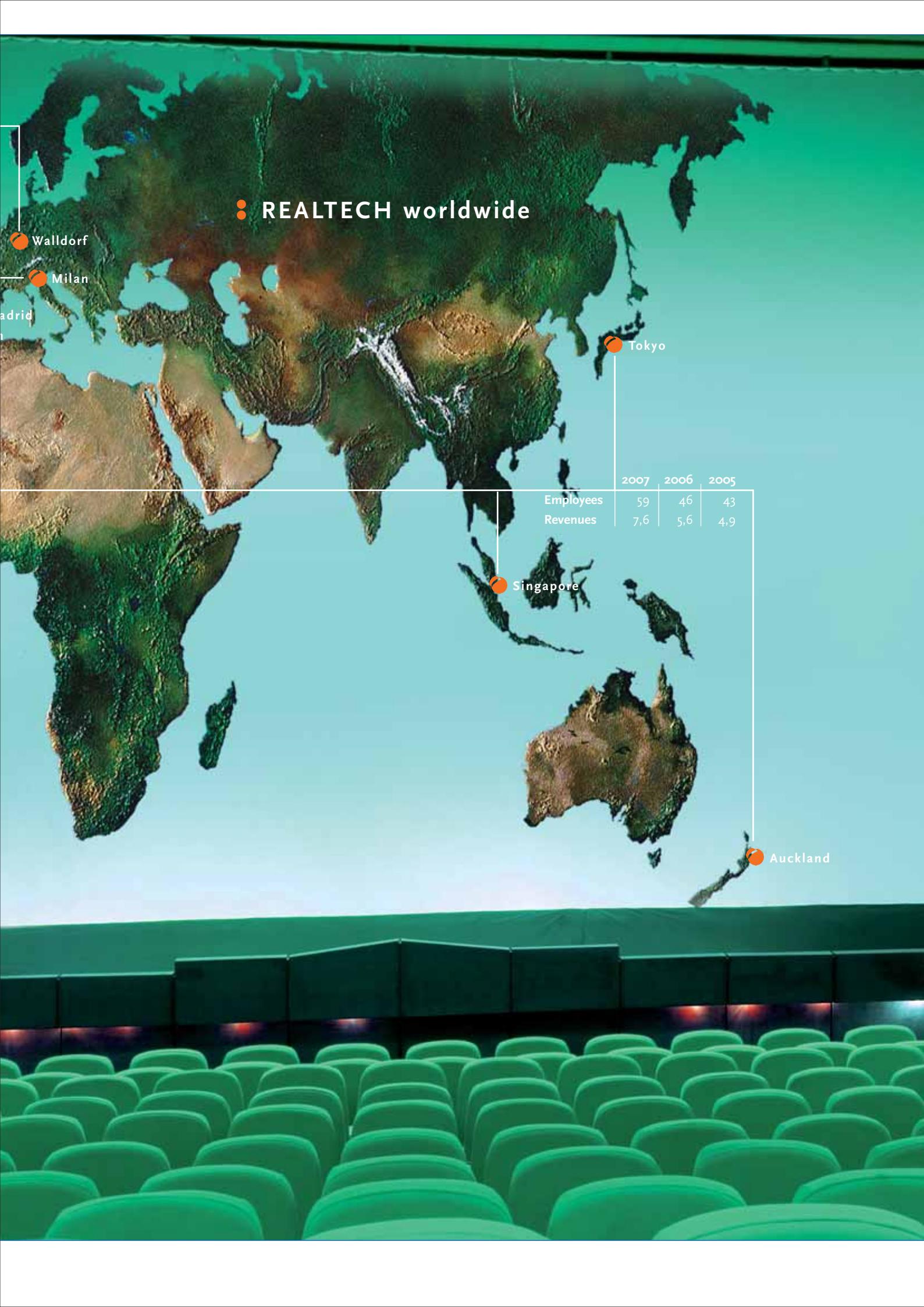
- REALTECH Ltd., New Zealand
- REALTECH System Consulting Pte. Ltd.,
Singapore
- REALTECH Japan Co., Ltd., Japan (54,1%)

REALTECH AG
in each case 100%
(except where noted).

Employees at end of year.

Revenues in million EUR.





REALTECH worldwide

Walldorf
Milan
Madrid

Tokyo

	2007	2006	2005
Employees	59	46	43
Revenues	7,6	5,6	4,9

Singapore

Auckland

Three Year Summary

	2007		2006		2005
	TEUR	Δ %	TEUR	Δ %	TEUR
Revenues and income					
Revenues	63.752	17	54.380	9	50.047
Revenues consulting	49.801	16	42.948	8	39.773
Revenues software	13.951	22	11.432	11	10.274
Revenues Germany	27.038	17	23.079	7	21.653
Revenues foreign countries	36.714	17	31.301	10	28.394
Earnings before interest, taxes, depreciation and amortization (EBITDA)	7.600	49	5.094	63	3.120
Earnings before interest and taxes (EBIT)	6.610	77	3.731	121	1.688
Earnings before taxes (EBT)	7.213	72	4.199	75	2.398
Net income	4.552	139	1.902	71	1.110
Earnings per share (in EUR)	0,87	135	0,37	68	0,22
Investments and depreciation					
Investments in intangible and tangible assets	1.104	74	635	(44)	1.137
Depreciation	990	(27)	1.363	(5)	1.432
Assets, shareholders' equity and liabilities (end of year)					
Total assets	64.936	7	60.937	6	57.310
Non-current-assets	14.549	(1)	14.658	(7)	15.750
Current assets	50.387	9	46.279	11	41.560
Net cash and cash equivalents	28.066	0	27.997	8	25.948
Shareholders' equity	47.203	3	45.896	5	43.724
Equity ratio (in %)	72,7	(3)	75,3	(1)	76,3
Non-current liabilities	0	0	0	0	0
Current liabilities	17.216	21	14.224	10	12.950
Key figures					
Gross margin (in %)	39,4		40,5		38,1
EBITDA margin (in %)	11,9		9,4		6,2
EBIT margin (in %)	10,4		6,9		3,4
Cash flow from operating activities	4.409		2.413		4.818
Cash flow from investing activities	(4.251)		814		1.941
Cash flow from financing activities	(3.246)		270		172
Employees (end of year)	629	10	571	7	535

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● The story

With competent IT consulting and innovative software solutions, REALTECH aids international customers in the optimization of business processes along the entire value chain.

Experienced consultants support companies from all industries in an extremely wide range of demanding IT projects. The aim of our customers is to operate business-critical IT environments both reliably and efficiently. After all, today's IT systems play a key role in ensuring that a company remains competitive in the long term.

REALTECH consultants are particularly knowledgeable with regard to the business applications and technologies developed by SAP AG. In this area, customers benefit from the long-term, in-depth specialist knowledge of well-trained IT experts, as REALTECH supports companies with an end-to-end consulting approach spanning everything from SAP technologies to strategic process consulting.



● Stars of the show

REALTECH's theGuard! software family enables organizations to automate their IT services. These products control the pulse of the entire IT environment – from the network through to databases, right through to applications. The various theGuard! products monitor IT systems largely automatically, identify possible sources of error early on, and provide IT managers with suggestions as to how weak spots can be remedied quickly and efficiently. As a result, organizations can benefit from reliable IT systems with minimum downtime.

Around the globe, more than 2,000 businesses and organizations have already put their trust in REALTECH's expertise and solutions.



At REALTECH, the employees are the stars of the show,

as the company's focus is on people and their development. With their commitment and qualifications, our employees ensure day in, day out that our main performance features include competence, quality and customer satisfaction.

Not only in our core business field of consulting, but also in software development, well-trained specialists are the key to successful IT and consulting projects. Thanks to their knowledge and skills, our experts are able to secure REALTECH's position as a consulting specialist for SAP system environments, therefore providing the company with a decisive competitive edge.

REALTECH attaches great importance to sound training, as customers very quickly notice if consultants are simply faking expertise. For this reason, REALTECH uses targeted education and further training programs to ensure that employees retain their superior knowledge. Equal attention is paid here to both specialist expertise and social skills, as this training approach specifically encourages people to work in interdisciplinary teams – a factor that is becoming increasingly important in complex SAP projects. As a result, a high level of commitment to training has long since become a firm part of REALTECH's corporate strategy.



● The storyline

The storyline clearly revolves around success:

REALTECH displayed an excellent performance in fiscal year 2007. Customers continue to have great faith in our consulting services and software solutions. The experience of REALTECH consultants in the area of SAP systems has prevented IT becoming a drama at customer companies. We successfully avoided any tricky situations that could have interrupted the core business of our customers, thanks to theGuard! software reliably monitoring critical IT applications at all times to detect any possible losses in performance.

Fiscal year 2007 was highly successful right from the start. In the first quarter of the year, revenue was up eight percent while EBIT (earnings before interest and tax) increased to 0.8 million euros. At the General Meeting in May, we demonstrated to shareholders just how worthwhile it can be to invest in REALTECH, as part of the company's capital is to flow back to shareholders through a reduction in share capital, and the decision was reached to pay out a dividend of 0.50 euros. In addition, the REALTECH share price increased by 34 percent over the course of 2007 – a growth rate that was substantially higher than those of all relevant indices.

Just as in a professional film production, suspense was built up further and further over the course of fiscal year 2007. Feelings of excitement were also evoked in participants on the financial market, who watched agog as the company's share price constantly rose, reaching the 2007 annual high of EUR 12.87 in November. What's more, business developments also seemed to come from a Hollywood script, as the positive revenue growth over the year ultimately had the result that the last three months of 2007 became the quarter with the highest revenue level in the company's history.

Critics and analysts agree that the year 2008 will most certainly be more than just the sequel to a classic film. The script for successful business development has been written, and the main actors know their roles. Light, camera.... action!

● Awards

● **Special Expertise Partnership**

SAP AG has now awarded REALTECH the Special Expertise Partnership (SEP) seal of approval for the SAP NetWeaver portal and SAP Process Integration three times running. In awarding this SEP title, SAP confirms the specialist knowledge of REALTECH consultants with regard to these new SAP technologies.

● **TransportManager software solution certified by SAP**

SAP has extensively tested the REALTECH TransportManager and awarded it the title "Certified for SAP NetWeaver". This software solution developed by REALTECH transfers new software components and other data within an SAP application environment quickly, securely and reliably.

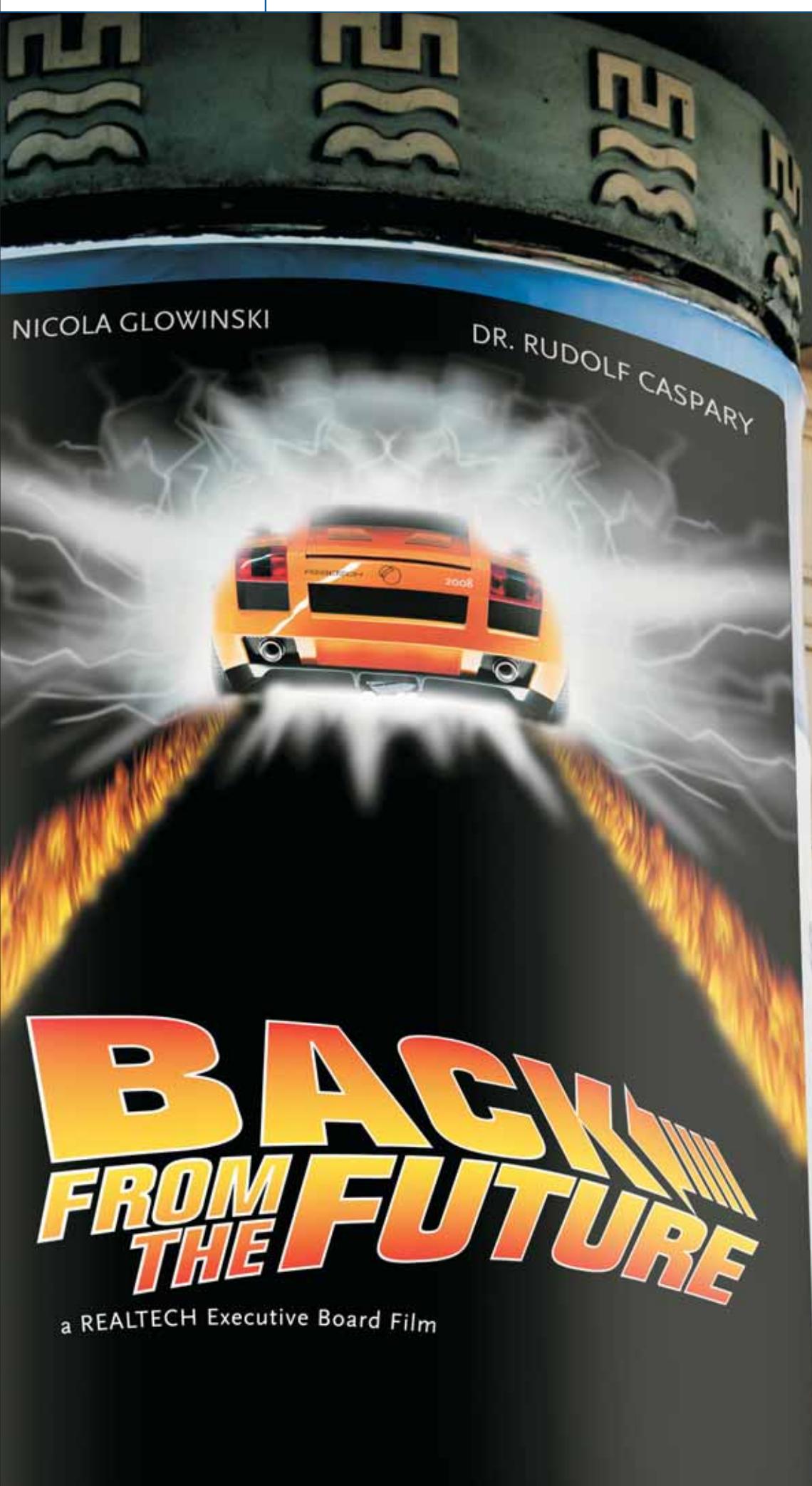
● **Run SAP implementation partner**

SAP has defined a series of rules for implementing its software solutions, with the aim of ensuring smooth and efficient operation at customer companies. In 2007, REALTECH was awarded the status of "Run SAP" partner, which indicates to customers that REALTECH meets the requirements of SAP.

● **Outstanding employees**

The stars behind the scenes at REALTECH are our employees, who don't need any autograph sessions or public appearances in order to make a good impression on our customers. The great expertise of our consultants becomes particularly clear if you consider the numerous distinctions and certifications received. In 2007, more than 20 employees received external distinctions in Germany. Examples here include the "Certified Technical Consultant" certificate for SAP-related technology issues and the "Certified Solution Consultant" certificate for specific applications such as Business Intelligence and Knowledge Management. Consultants in Italy received around 40 new certifications, amongst other things in areas such as SAP NetWeaver and IBM SOA technologies. In Spain, around 20 consultants received certifications, including certificates awarded by SAP for SAP NetWeaver topics.







Report of the Executive Board



REALTECH is concentrating on a market that is set to see very dynamic growth in the years to come. After all, a fundamental system change is currently taking place in information technology: turning away from the rigid, data-centered system models of the past, towards a concept for flexible and open application structures.



Report of the Executive Board

Dear shareholders and business partners,

We can look back at the past fiscal year with pride, as REALTECH AG achieved record figures for both revenue and income, therefore making 2007 the most successful year in the company's fairly short history to date. In view of this, we are highly satisfied with the way in which our company is constantly further developing. The company is clearly heading in the right direction to enjoy a continued promising future. We have clear structures, follow a profit-oriented strategy and operate in a growth market. As always, our main goal is to achieve long-term, sustainable and profitable growth. In order to achieve this, we need to consistently align REALTECH AG with profitable business areas and market regions in the future, too.

The figures show that we have taken the right road, as revenue increased by 17 percent in 2007 to EUR 63.8 million. The software solutions business area increased its revenue by 22 percent to EUR 14.0 million, and the consulting segment expanded by 16 percent to EUR 49.8 million.

In addition, it is increasingly paying off that the Executive Board has in recent years profiled and modernized the Group taking



Dr. Rudolf Caspary

Chief Technology Officer

Nicola Glowinski

Chief Executive Officer

now reaping the fruit of these measures, as is reflected in the fact that EBIT increased by 77 percent in the year under review to EUR 6.6 million. The main factor involved in this great development was that both the company's business areas each made a positive contribution towards earnings.

It is also particularly pleasing that every single quarter in fiscal year 2007 was profitable, therefore continuing with the positive trend of the previous year. What's more, the fourth quarter of 2007 was the quarter with the highest revenue in the company's history.

REALTECH's net income, at EUR 4.6 million, was more than double the figure for the previous year, thus enabling the company to record earnings per share of EUR 0.87, compared with EUR 0.37 in 2006. Net cash and cash equivalents increased slightly to EUR 28.1 million – despite the EUR 2.6 million (EUR 0.50 per share) distributed in May 2007. Cash flow increased by 83 percent to EUR 4.4 million. This year, too, this successful company development will also benefit shareholders, as the Executive and Supervisory Boards will be proposing at the General Meeting to again distribute a dividend of EUR 0.50 per share from the company's net profit. In addition, the possibility of a special dividend of EUR 4.00 in the form of a capital repayment will be put to the General Meeting for discussion.

Booming trade both in Europe and overseas

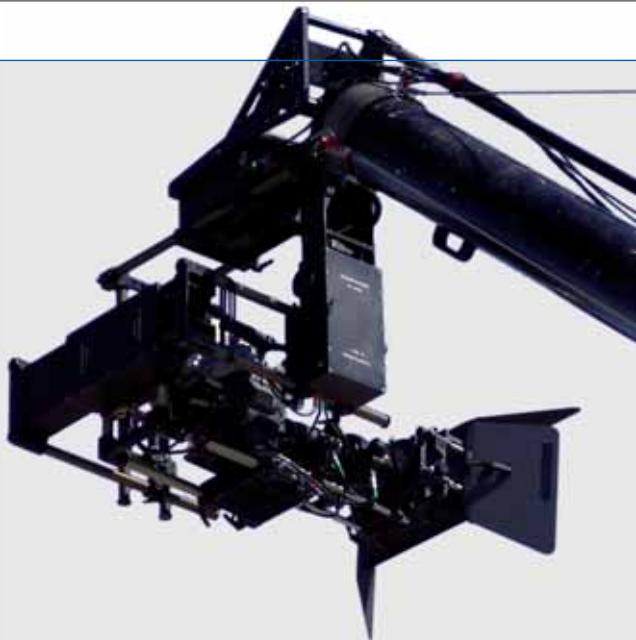
Our company is in an excellent position on both a national and an international scale. More than 2,000 customers around the globe already put their trust in our consulting expertise and software solutions. In fiscal year 2007, we recorded 58 percent of our revenue outside Germany. We intend to make Europe the geographical focus of our activities again in 2008, whereby the core markets of Germany, Italy and Spain offer the greatest potential for growth. The best example is Spain, where REALTECH established a leading position in SAP technology

account of strict business criteria – and therefore laid the foundations for long-term growth. We have restricted costs and pushed ahead with all necessary investments in the future. We are

consulting in 2007 and strives to further improve upon this excellent position in 2008. Business also progressed approximately as expected in 2007 in the USA and the Asia-Pacific region, with the result that we also anticipate stable growth there in 2008.

From technology to business processes
In recent years, REALTECH has successfully transformed itself from a pure technology consultancy firm for SAP systems into a consulting specialist for business processes and projects of strategic importance. At the same time, we have established ourselves on the market as a competent partner for international companies from all industries and of all sizes. Our range of services also covers areas above and beyond SAP applications that are set to shape the information technology market in years to come. This is particularly true of the high-margin segment of strategic business process consulting, an area in which we have over the past few years increasingly invested in developing. Our specialists analyze business processes, paying attention to the entire IT environment, and pinpoint ways in which companies can optimize these processes.

We are concentrating on a market that is set to see very dynamic growth in the years to come. After all, a fundamental system change is currently taking place in information technology: turning away from the rigid, data-centered system models of the past, towards a concept for flexible and



consulting business is the primary factor that sets us apart from the competition on the consulting market. In 2007, this close collaboration with our Walldorf neighbor SAP gave us a valuable competitive edge in numerous IT projects in terms of expertise.

On top of this, we benefit from the fact that our consulting specialists maintain close links with customers in the software business area, the second main area in which REALTECH AG operates. Our consultants are familiar with typical customer challenges, thanks to their day-to-day work. This experience is then input into software development, with the result that our products are closely aligned with the problems customers face. For example, REALTECH's theGuard! software family automates time-consuming processes and tasks in computer centers. In addition, it identifies possible sources of error early on and automatically makes suggestions for solutions. This enables IT departments to reliably provide the required services to a high quality even when budgets are tight.

Employees – our guarantees of success

REALTECH offers consulting services, strategies, solutions and products that provide customers with the best possible support in mapping their business processes with IT. This is made possible by the particular expertise of the company's employees. Thanks to their knowledge and skills, our experts are able to secure REALTECH's position as a consulting specialist for SAP system environments. We modified our internal training again in 2007 to accommodate the latest developments at SAP and the company's new focuses. Just under three quarters of our consultants are now certified for SAP NetWeaver. As a result of this commitment, SAP designated us a "Special Expertise Partner for SAP NetWeaver". In addition, SAP confirmed REALTECH's expertise with regard to the SAP NetWeaver Portal and SAP Process Integration solutions in 2007. These seals of approval are awarded only to a few selected companies and can be equated with a supplier recommendation from SAP.

There is every indication that the need for SAP consultants will increase greatly over the next few years. At the same time, there is a great demand in the IT industry for well trained and specialized experts. REALTECH has responded to this situation early on and expanded its internal training measures accordingly. For example, our "STEP-IN" qualification program in 2007 got numerous new employees in shape for future SAP consulting projects, and we will be continuing to implement this program in 2008. We are also paying increasing attention to offering attractive career and further training options in order to ensure that our well trained employees stay at the company in the long term. Only in this way will we be able to gain further market shares in the future and expand faster than the market average.

open application structures. Service-oriented architectures (SOA) are considered to be a key area of innovation, relevant for practically every company. A study carried out on behalf of BITKOM (the German association for the industry) has established that SOA revenue in Germany alone is set to increase from EUR 250 million to almost EUR 2 billion between 2006 and 2010. Out of this amount, 70 percent will be attributable to IT services for implementing and maintaining the new software.

Consulting and in-house software

With its SAP NetWeaver integration platform and Enterprise SOA (ESOA) technology, SAP AG is paving the way for users to establish a service-oriented IT landscape. REALTECH supports these solutions and offers an end-to-end range of services from technology through to business processes. This combination of specialist SAP technology knowledge and expertise in the process



- We would like to use this opportunity to express our gratitude to our former Chief Financial Officer, Jürgen Zahn, for the work he has done at REALTECH. Jürgen Zahn left the company at his own request in March 2007.
- **Expanding range of services**
- Whenever suitable opportunities present themselves, we intend to supplement our organic growth with partnerships and acquisitions. When doing so, we will pay particular attention to ensuring that potential candidates fit in with REALTECH in terms of the subject areas they cover, their technical level and their philosophy. REALTECH considers takeovers to be a possible means of expanding the company's range of services and solutions, and establishing a broader position on the market. Although our expertise with regard to business issues had up to now predominately concentrated on SAP, we intend to expand our skills in the future to also cover other technologies, such as solutions from IBM, Oracle and Microsoft.

Goals

With confidence in our own performance, we anticipate that fiscal year 2008 for us will follow on from the successful previous year. We have therefore set ourselves ambitious goals. We plan to further expand our national and international business. Moreover, we want to increase our revenue in 2008 by 14 percent and income from operations (EBIT) by 11 percent. The foundations necessary in order to reach these goals have already been laid, as we have clearly shown with our record income in fiscal year 2007. REALTECH intends to build on its clearly defined service portfolio in order to continue to achieve profitable growth with high margins.

In view of our pleasing business development and the reinforcement of our market position, we would like to thank everyone involved, as customers, partners, employees, the Supervisory Board and shareholders have all played their part in enabling REALTECH AG to take another large step in the right direction in the year under review. We are in an excellent position to continue meeting expectations and can look optimistically to the future.

Warm regards,
Your Executive Board



● Calendar of Events 2007

JANUARY

● Financial service providers rely on REALTECH

The Sparkasse bank in Singen-Radolfzell successfully implements REALTECH's theGuard! software. Using this solution, the bank is able to efficiently monitor its network infrastructure and can thus keep track of all network components at all times. Thanks to the fact that the system reports any faults to IT employees in real time, downtime is reduced.

● REALTECH Italia wins migration project

Tosinvest, an Italian operator of 32 rehabilitation clinics, assigns REALTECH Italia the task of migrating its SAP infrastructure to UNIX and upgrading to SAP ECC 6.0. The Tosinvest Group benefits from the upgrade and migration in many ways, including not only increased system performance, but also a reduction in maintenance costs by around 22 percent.

MARCH

● REAL:tech Symposium 2007

"Denken braucht Raum" (Thought needs space) was the motto at the REAL:tech Symposium 2007, held at the Print Media Academy in Heidelberg and attended by numerous existing and potential customers. With presentations on REALTECH products and user reports from prestigious reference customers, visitors were able to enjoy an interesting and useful day.

APRIL

● New: theGuard! Service Management Center

environment needs powerful monitoring and administration tools. REALTECH's newly designed theGuard! Service Management Center sets customers off to a great start in the efficient management of heterogeneous IT infrastructures. The key to success here is a high degree of automation of service activities for all aspects of corporate IT.

FEBRUARY

● Johanniter Ambulance safeguards application operation with REALTECH

SCK GmbH, the central IT service provider for the Johanniter Ambulance, uses REALTECH's theGuard! ApplicationManager to monitor the organization's complex IT application environment. As the system now constantly records the utilization and availability of central IT resources, high-availability operation of key applications is assured.



M A Y

● **Investing in REALTECH pays off**

At the Annual General Meeting in 2007, shareholders agreed to reduce the company's share capital, therefore returning part of the capital to shareholders. Further good news is that REALTECH pays out a dividend of 0.50 euros per share.

● **TransportManager software solution certified by SAP**

SAP has extensively tested the REALTECH TransportManager and awarded it the title "Certified for SAP NetWeaver". This software solution developed by REALTECH transfers new software components and other data within an SAP application environment quickly, securely and reliably.

J U N E

● **WestLotto bets on Linux**

In switching to the Linux operating system, the Westdeutsche Lotterie lottery company leaves nothing to chance and puts its trust in the long-term experience of REALTECH consultants. The SAP specialist assumed responsibility for the entire migration to a new Linux platform. This changeover reduces WestLotto's expenditure on IT systems.

J U L Y

● **REALTECH promotes innovation in the Rhine-Neckar region**

REALTECH participates in the Heidelberg Innovation Forum and the doIT Software Award presented by MFG Medien- und Filmgesellschaft Baden-Württemberg. Both events have the goal of promoting the Rhine-Neckar region as a high-tech location. Thanks to targeted technology transfer, new ideas from research have a shorter time to market.

A U G U S T

● **Management Cockpit**

In order to effectively steer their companies, managers need reliable information. REALTECH's new Software Management Cockpit provides important key figures from current business processes. The clear and concise presentation of these values lays the foundations for reaching business-critical and strategic decisions.

S E P T E M B E R

● **REALTECH invests in employees**

Aiming to continue providing customers with high-quality consulting in the future, REALTECH launches special qualification programs. One such program, STEP-IN, involves intensive training over several weeks that enables the company's own employees to improve not only their specialist knowledge, but also method expertise and social skills.

O C T O B E R

● **Specialist knowledge of REALTECH consultants confirmed by SAP**

SAP confirmed REALTECH's expertise with regard to the SAP NetWeaver Portal, SAP Process Integration and Duet products yet again in 2007. This seal of approval is equivalent to an SAP supplier recommendation, and is only awarded to a few selected companies.

N O V E M B E R

● **Secure operation of business-critical applications**

The new theGuard! ApplicationDashboard product developed by REALTECH analyzes the availability of complex application environments such as SAP applications. This provides companies with a valuable tool that enables them to deal with performance bottlenecks early on and counteract possible failures in central applications.

D E C E M B E R

● **Largest software order in company history**

EADS Defence & Security awards REALTECH a major order, worth millions, for the provision of network and service management for the German Federal Armed Forces. In the future, the Federal Armed Forces will be fitting both their central Network Operating Center and their mobile units with the core components of theGuard! Service Management Center. Wide area networks will be monitored using theGuard! NetworkManager, while the Business Process Management and Provisioning modules ensure deployment management and planning.

REALTECH
Investor Relations
presents:

FOR A FISTFUL OF EURO

The REALTECH share price increased by 34 percent over the course of 2007 – a growth rate that was substantially higher than the market.



• Shares



The REALTECH share price increased by 34 percent over the course of 2007 –

a growth rate that was substantially higher than those of all relevant indices.

The share price had already increased by 30 percent in both 2005 and 2006.

Market capitalization on 31 December 2007 had increased to EUR 63 million

compared to EUR 46 million at the end of the previous year.

Shares



The stock market in 2007: Dax up 22 percent, REALTECH share price up 34 percent

Compared with other shares on an international scale, the prices of German blue-chip shares recorded above-average growth in 2007. Of all the significant share indices worldwide, the German Dax share index clearly came out top in the year under review, climbing above the 8,000-point mark for the first time since March 2000. Six weeks later, the index beat its seven-year-old record of 8,136 points and temporarily rose to 8,151 points. After that, the crisis on the US real estate market sent stock markets plunging around the globe. Thanks to a strong European economy and booming German exports, the Dax recovered relatively quickly and exceeded the 8,000-point mark again at the end of the year. The index therefore increased by 22 percent over the year as a whole. The Euro-



- Stoxx-50 index, at 7 percent, and the American S&P 500 market index, at 4 percent, were clearly way behind. This Dax price growth is on a par with the figures for 2005 and 2006, when the index recorded growth rates of 27 percent and 22 percent respectively.
- A particularly impressive upturn was recorded last year by the German stock market's technology share index, TecDax, with a growth rate of 30 percent. However, the increase in this market barometer can be primarily attributed to the huge role played by solar power shares, which temporarily reached unforeseen price levels over the course of the year. The market barometer for German second-line shares, the MDax, recorded an increase of 5 percent over the course of the year, which put it a lot closer to the international trend than the Dax.

Cautious optimism for stock market year 2008

As a result of the financial crisis that has been smoldering for months, combined with worsening economic prospects (particularly in the US), there has been a sharp decline in international share prices on a large scale at the beginning of 2008. Although decisive action taken by the US Federal Reserve in the form of reducing the base rate by 0.75 percent has stopped the price decline on global stock markets for the time being, stock markets continue to be dominated by nervousness and uncertainty. For this reason, the market forecasts of share analysts for 2008 are also only cautiously optimistic, and are particularly restrained for the first half of the year.

Banking strategists point out that several economies currently face an increasing risk of economic decline. Numerous early indicators suggest that growth rates in industrialized countries could decrease significantly in 2008. In addition, stock markets are being further weakened by the prolonged credit squeeze. Overall, expectations for the euro region are more optimistic than those for German blue-chip shares.

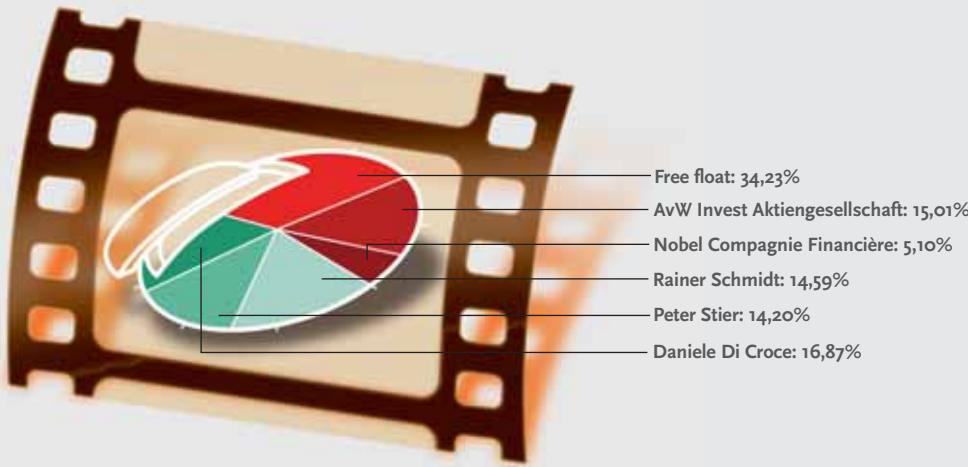
Share performance and market capitalization

The REALTECH share price increased by 34 percent over the course of 2007 – a growth rate that was substantially higher than those of all relevant indices. The share price had already increased by 30 percent in both 2005 and 2006. Market capitalization on 31 December 2007 had increased to EUR 63 million compared to EUR 46 million at the end of the previous year and corresponded to 134 percent of book equity. This figure was 101 percent at the end of 2006 and 80 percent at the end of 2005.

The share began 2007 at a price of EUR 8.95, which was the lowest value for the whole year. REALTECH shares began the second quarter at a price of EUR 10.90, and closed the third quarter at a price of EUR 10.99. Thus, the REALTECH share price was 45 percent higher than at the end of the same quarter in the previous year (EUR 7.59).

At the beginning of the fourth quarter, the REALTECH share price rose to EUR 11.60 and reached its annual high of EUR 12.87 on November 1, 2007 – shortly after the publication of the provisional nine-month figures. The last time the share price reached this level was in May 2001. The share price then lost some ground, until the company announced on November 29 that a special dividend of EUR 4.00 per share from the company's capital reserve would be proposed at the next General Meeting. The share price immediately leaped to EUR 12.00, the figure that was also recorded on the last trading date of the year.

Shareholder structure as of 31.12.07



The average number of the Group's shares being bought and sold each day decreased by 17 percent from 10,617 shares in 2006 to 8,854 shares in the year under review. Once again, the majority of trading in REALTECH shares was carried out on Xetra (73 percent compared to 61 percent in 2006), while other stock markets accounted for 27 percent (compared to 39 percent in 2006).

Shareholder structure and trading volume

The shareholder structure of REALTECH AG essentially changed in fiscal year 2007 with regard to two positions. In January, the proportion of voting rights held by Luxembourg-based Axxion S.A. fell below the three-percent limit for compulsory disclosure in accordance with Section 21, Paragraph 1 of the German Securities Trading Law (WpHG). In contrast, the Austrian AvW Invest Aktiengesellschaft disclosed in January, March and December that its share of voting rights in REALTECH AG had exceeded the 5-percent, 10-percent and 15-percent limits for compulsory disclosure in accordance with Section 21, Paragraph 1 of the German Securities Trading Law. REALTECH AG's free float on December 31, 2007 amounted to 34.23 percent.

Shareholder meeting

REALTECH AG's eighth regular shareholder meeting was held in Wiesloch on May 22, 2007. Around 200 shareholders and other guests attended the event, representing 50.67 percent of the company's share capital. Shareholders passed resolutions concerning the items on the agenda with a large majority in each case. Amongst other things, this was the case for the presentation of the annual accounts, the report of the Supervisory Board, the proposal to use the net profit to distribute a dividend of EUR 0.50 per participating share and the reduction of share capital.

Open communication

REALTECH AG attaches great importance to communicating in an exemplary manner with both existing and new shareholders. This is particularly reflected by the Group's active membership in the German investor relations association (DIRK), which sets the standards for professional communication between listed companies and the capital market. In addition, REALTECH participated actively once again in 2007 in the German Equity Forum in Frankfurt, the largest investor fair in Europe.

Over the past three years, with price increases of at least 30 percent per year, REALTECH shares have proven to be a worthwhile investment. The company has a sound balance sheet structure with an equity ratio of 73 percent. A positive cash flow and the company's profitable consulting and software segments are guarantees of a high level of investment security. What's more, the company's successful business model and clear focus on specific topics lay sound foundations for further growth. REALTECH shares will therefore remain an attractive investment in the future for private and institutional investors alike.



RTC : 12.03.07



A FILM BY REALTECH AG

REALTROPOLE





Corporate Governance



The aim of the German Corporate Governance Code, initially published in 2002 and repeatedly updated since then, is to increase people's trust in the management of German companies.



● Corporate Governance

G erman Corporate Governance Code

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

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

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



In practice

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

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

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

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

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

Transparency

In view of the fact that clear communication is a key factor in complying with the Code, REALTECH provides shareholders, financial analysts, the financial press, shareholder associations and any interested members of the public with regular reports on the latest events concerning the company. When distributing information, REALTECH applies the principle of equality, informing everyone of any news at the same time – be they financial analysts, institutional investors, or shareholders. Thus, publication dates for the company's annual report and quarterly reports, as well as details on the General Meeting can be found

at www.realtech.com/investors, and are available to everyone. Whenever there is any news that could have a substantial effect on the REALTECH share price, this is published in an ad-hoc report.

Risk management

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

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

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



Basic structure of executive board and supervisory board remuneration (Remuneration report)

● Remuneration of the Executive Board

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

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

The various components of Executive Board remuneration are subject to the following criteria: The remuneration not linked to targets is paid out as a monthly salary. The amount of success-based remuneration for fiscal year 2007 is dependent on the extent to which the overall company goal for Group EBIT is met (prior to acquisition costs). This was determined at the Supervisory Board meeting on March 10, 2008 following verification of target achievement.

Share-based remuneration was provided by granting convertible bonds, with the agreement of the Supervisory Board, in

line with the provisions of the convertible bond decision reached by the REALTECH General Meeting on May 16, 2002. This decision was effective up to May 15, 2007. Convertible bonds were granted to the Executive Board for the last time in fiscal year 2006. The holders of the convertible bonds are entitled to convert each bond against payment into REALTECH AG shares (conversion right). The par value of a convertible bond is EUR 1. The validity period is 5 years. Bond holders are entitled within this validity period to convert each convertible bond against payment into 100 no-par value REALTECH AG shares, in accordance with the following conditions:

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

Remuneration received by the Executive Board in fiscal year 2007 totaled EUR 1,502 thousand (compared to EUR 1,852 thousand in the previous year). The part not linked to targets (including non-monetary benefits from company cars and social security allowances) was EUR 462 thousand (previous year: EUR 525 thousand), while the success-based part totaled EUR 933 thousand (previous year: EUR 1,069 thousand) and share-based remuneration was EUR 107 thousand (previous year: EUR 258 thousand). No convertible bonds were granted in fiscal year 2007 (previous year: 150,000 at an exercise price of EUR 8.80). In accordance with the decision of the General Meeting on May 16, 2006, this remuneration is not specified separately for the various individuals (Section 286, paragraph 5 of the German Commercial Code).

● Remuneration of the Supervisory Board

Until this rule is revoked by a future General Meeting decision, each Supervisory Board member receives fixed annual remuneration of EUR 10,000, which is to be paid at the end of a fiscal year, proportionately for the number of months on the Board. The Chairman receives twice this amount, while the Deputy Chairman receives one and a half times the amount.

The fixed amounts calculated in this way are supplemented by a variable component, which is paid if the company's share price over the past fiscal year outperforms the reference index. The reference index is Deutsche Börse AG's "Technology All Share Index". Outperformance is established based on the starting and end prices of company shares and the reference



index. The starting price is the average company share price at the close of trading on XETRA (or a similar successor system) on the Frankfurt Stock Exchange or the average closing value of the reference index over the first five trading days in the previous fiscal year. The end price is the average company share price at the close of trading on XETRA (or a similar successor system) on the Frankfurt Stock Exchange or the average closing value of the reference index over the last five trading days in the previous fiscal year.

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

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

Remuneration received by the Supervisory Board in fiscal year 2007 totaled EUR 124 thousand (previous year: EUR 138 thousand). The fixed portion was EUR 45 thousand (previous year: EUR 70 thousand), while variable remuneration (including attendance fees and travel expenses) amounted to EUR 79 thousand (previous year: EUR 68 thousand).

Compulsory disclosure of directors' dealings

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

Table 1

	Position	Date/Place of transaction	Type of transaction	ISIN	Price EUR	Number	Total volume EUR	Explanation
Dr. Rudolf Caspary	Executive Board	06.05.2007 off-market	Share purchase through conversion	DE0007008906	7,00	3.000	21.000	Subscription to convertible bonds as part of the CB-Program 2004
Nicola Glowinski	Executive Board	05.11.2007 off-market	Share purchase through conversion	DE0007008906	7,00	9.000	63.000	Subscription to convertible bonds as part of the CB-Program 2004
Nicola Glowinski	Executive Board	05.11.2007 off-market	Share purchase through conversion	DE0007008906	6,97	6.000	41.820	Subscription to convertible bonds as part of the CB-Program 2005
Dr. Rudolf Caspary	Executive Board	12.11.2007 off-market	Share purchase through conversion	DE0007008906	7,00	9.000	63.000	Subscription to convertible bonds as part of the CB-Program 2004
Dr. Rudolf Caspary	Executive Board	15.11.2007 Xetra	Share	DE0007008906	12,05	2.000	24.100	Purchase of shares



- Section 6.6 of the German Corporate Governance Code requires the immediate notification and publication of dealings in the company's shares by members of the Executive and Supervisory Boards. In the year under review, transactions at REALTECH AG that required reporting were as listed in Table 1.
- In addition, the possession of company shares by members of the Executive and Supervisory Boards must be specified in the Corporate Governance Report if, either directly or indirectly, more than 1 percent of the shares issued by the company are held. If the total holding of all members of the Executive and Supervisory Boards

exceeds 1 percent of the shares issued by the company, the total holding must be specified separately for the Executive Board and Supervisory Board.

Compliance declaration for the German Corporate Governance Code

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

As in previous years, REALTECH does not intend to create a corporate governance code of its own, as there are no industry-specific or company-related requirements that make this necessary. The Executive and Supervisory Boards submitted the sixth, and so far last, compliance declaration on December 11, 2007, based on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act with the following wording:

Table 2

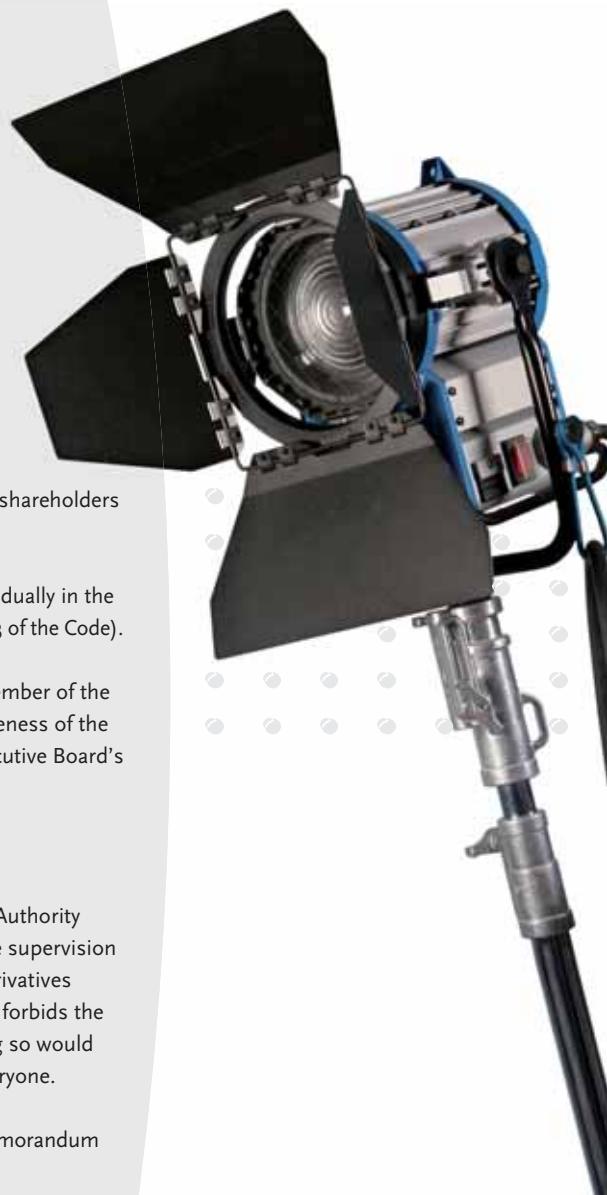
Executive Board	Number of shares as of 31.12.2007	In % of all issued shares
Dr. Rudolf Caspary	29.000	0,55
Nicola Glowinski	37.000	0,71
Total	66.000	1,26

"REALTECH AG complies with the recommendations of the Government Commission on the German Corporate Governance Code (dated June 14, 2007), with the following exceptions:

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

Supervisory Board	Number of shares as of 31.12.2007	In % of all issued shares
Daniele Di Croce	885.500	16,87
Rainer Schmidt	765.500	14,59
Peter Stier	745.500	14,20
Total	2.396.500	45,66

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



- The Supervisory Board currently includes more than two former members of the Executive Board (Section 5.4.2, Paragraph 3 of the Code).
Reason: We believe that a rule of this kind would inappropriately restrict the rights of shareholders to vote for members of the Supervisory Board.
- At present, remuneration of members of the Supervisory Board is not disclosed individually in the Corporate Governance Report, broken down into components (Section 5.4.7, Paragraph 3 of the Code).
Reason: In our opinion, specifying the individual remuneration of each individual member of the Supervisory Board does not provide a suitable foundation for judging the appropriateness of the remuneration for the Supervisory Board's task, as an overall body, to monitor the Executive Board's management."

Insider regulations

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

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

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

Report of the Supervisory Board



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





REALTECH SYSTEM CONSULTING

in:

MISSION: POSSIBLE

Stand und Aufsichtsrat haben sich über die strategische Ausrichtung des Unternehmens abgestimmt und in regelmäßigen Abständen den Stand der Unternehmensentwicklung erörtert. In allen Entscheidungen, die für die Gesellschaft von grundlegender Bedeutung waren, wurde der Aufsichtsrat unmittelbar einzuberufen.



RTC : 18.04.07



Report of the Supervisory Board

Dear shareholders,

Intensive and cooperative communication between the Supervisory Board and Executive Board lays the foundations for efficiently structuring the board's activities. In the year under review, the Supervisory Board has met its obligations arising both from law and from the Articles of Association. Moreover, it has regularly advised the management of REALTECH AG and monitored its management activities. In particular, the Supervisory Board investigated the company's risk management and reached the conclusion that it completely meets the necessary requirements.

Collaboration between the Supervisory Board and the Executive Board

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

The Executive Board regularly and extensively informed the Supervisory Board in its meetings about the situation of the Group, in particular about developments in the business and



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

● Rainer Schmidt ● Peter Stier ● Daniele Di Croce

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

● **Corporate Governance**

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

● **Meetings of the Supervisory Board**

The Supervisory and Executive Boards came together on five occasions in fiscal year 2007 to discuss the business situation of the Group, the strategic further development of the Group and its fields of business, as well as a range of other individual topics. The Supervisory Board's constituent meeting was also held following re-election of its members at the shareholder meeting on May 22, 2007. In addition, a meeting was held between representatives of the auditing company elected at this meeting and the Supervisory Board.

Based on the information supplied by the Executive Board, the Supervisory Board analyzed the company's current and future company development. Where the law or Articles of Association required decisions from the Supervisory Board concerning individual business transactions and measures of the Executive Board, the Supervisory Board discussed these

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

The Supervisory Board meetings held in fiscal year 2007 concentrated in particular on the continuation of the successful corporate strategy established in the company's two business fields of consulting and software. In terms of consulting, REALTECH continued to focus on clearly defined areas of technology consulting, as well as on technology-driven tasks relating to SAP NetWeaver and service-oriented architectures (SOA). In the software segment, the focus was on measures to further improve profitability. In addition to this, topics discussed also included the



Group's regional orientation, the options with regard to inorganic growth, issues regarding capital resources and questions of corporate governance.

At the meeting at the end of January 2007, the Supervisory Board considered in particular aspects such as the provisional figures for the fourth quarter of 2006 and fiscal year 2006, budget planning for 2007, future orientation in the consulting and software segments, and the situation in the company's international subsidiaries. The Supervisory Board also discussed the status quo with regard to potential company acquisitions.

The meeting in March focused on the report submitted by the auditors, the approval and adoption of the consolidated financial statements for 2006 and annual financial statements for 2006, the outlook for the first quarter of 2007, and the approval of the agenda for the shareholder meeting in 2007.

Following on from the shareholder meeting held on May 22, 2007, the newly elected Supervisory Board held its constituent meeting, at which Daniele Di Croce was appointed Chairman of the Supervisory Board and Peter Stier was appointed Deputy Chairman. The Supervisory Board then defined the specifics of future collaboration.

At the meeting in June, the Supervisory Board discussed the Group's development over the first five months of the year, the situation in the consulting and software business segments, and the situation at international subsidiaries. In addition, a particular emphasis was placed on updating the rules of procedure of the Executive and Supervisory Boards, as well as on the status quo of potential acquisitions.

The focus of consultations in September was on the company's business development over the first eight months of fiscal year 2007, prospects in the software and consulting segments, and prospects at the various international subsidiaries. The Supervisory Board also discussed the current status of acquisition activities and the risk management system.

The points on which the audit was to focus were determined by the Supervisory Board in collaboration with the auditor at the Supervisory Board meeting in mid-November.

The figures as of October 2007 were reviewed at the meeting at the end of November. In addition, the Supervisory Board discussed the outlook for fiscal year 2007 and defined the planning figures for 2008. Other points on the agenda included the decision to pay out a special dividend, definition of the bonus agreement for the Executive Board, approval of the sixth declaration of compliance with the German Corporate Governance Code and definition of dates for Supervisory Board meetings in 2008.

Members of the Executive and Supervisory Boards

The Chief Financial Officer of REALTECH AG, Jürgen Zahn, asked the Supervisory Board to revoke his Executive Board contract on January 31, 2007 for family reasons. Responsibility for finance was taken on by Nicola Glowinski, Chief Executive Officer of REALTECH AG. As Chief Financial Officer (CFO), Jürgen Zahn had been responsible for the areas of Finance, Investor Relations and Human Resources since July 2005. The Supervisory Board and Executive Board thank Jürgen Zahn for his great work.

The term of office of the Supervisory Board members elected and working as shareholder representatives ended with the conclusion of the shareholder meeting on May 22, 2007.



- Amongst other things, this event included elections for the new Supervisory Board. In accordance with the provisions of Section 96, paragraphs 1 and 4 of the German Stock Corporation Act, as well as Section 9.1 of the Articles of Association, the Supervisory Board is made up of three members to be elected at the General Meeting. The General Meeting elected Daniele Di Croce, Rainer Schmidt and Peter Stier as members of the Supervisory Board up to the end of the General Meeting that reaches a decision on giving discharge for the fiscal year ending on December 31, 2011.

Annual and consolidated financial statements

REALTECH AG's annual financial statements for 2007 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 22, 2007 and engaged as auditor by the Supervisory Board.

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

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

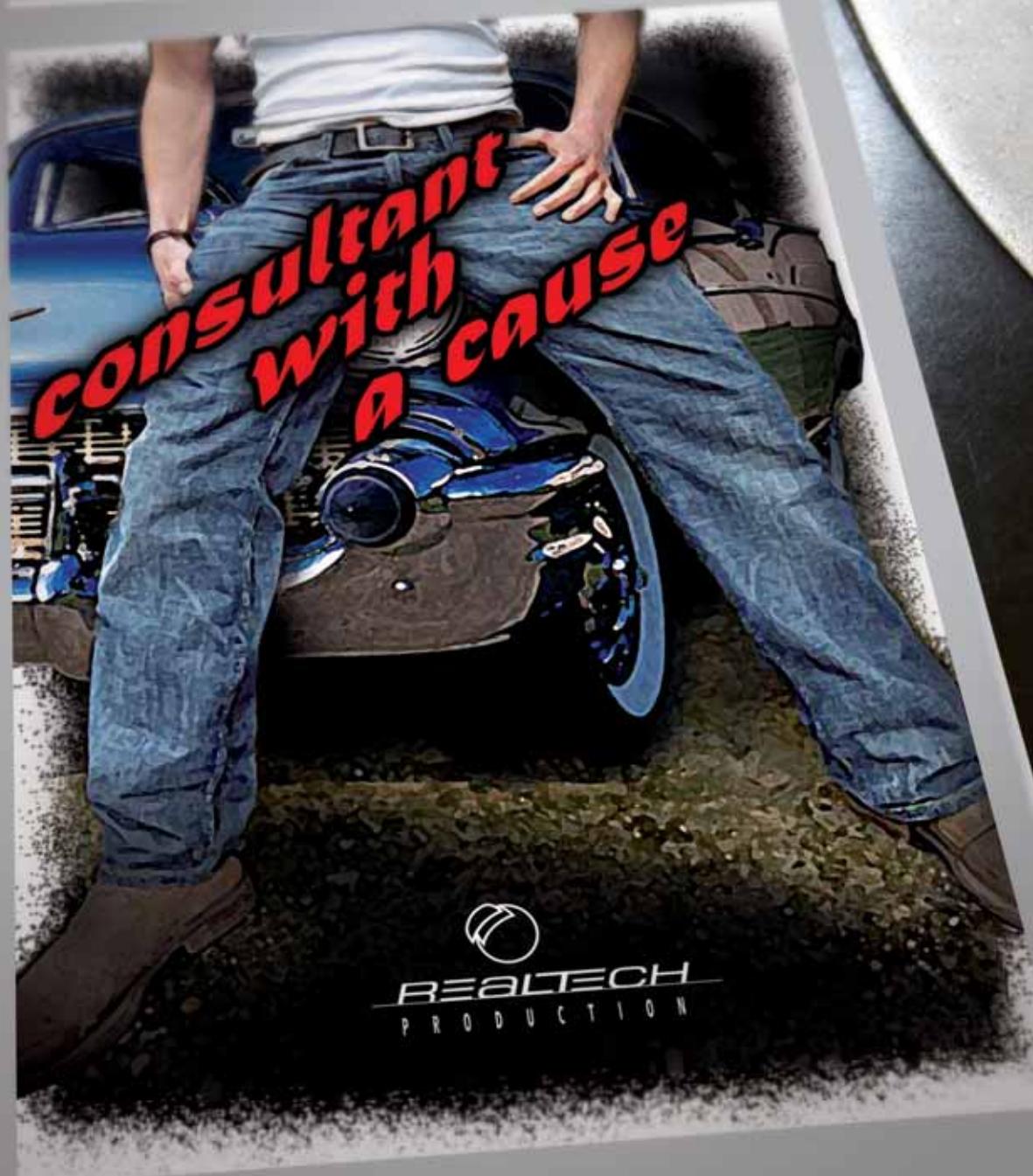
In its meeting on March 10, 2008, the Supervisory Board approved the consolidated financial statements for 2007, the combined management report for 2007, and REALTECH AG's annual financial statements for 2007, and agreed to the Executive Board's proposal for the appropriation of net profits.

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

Walldorf, March 2008
The Supervisory Board
Daniele Di Croce
Chairman

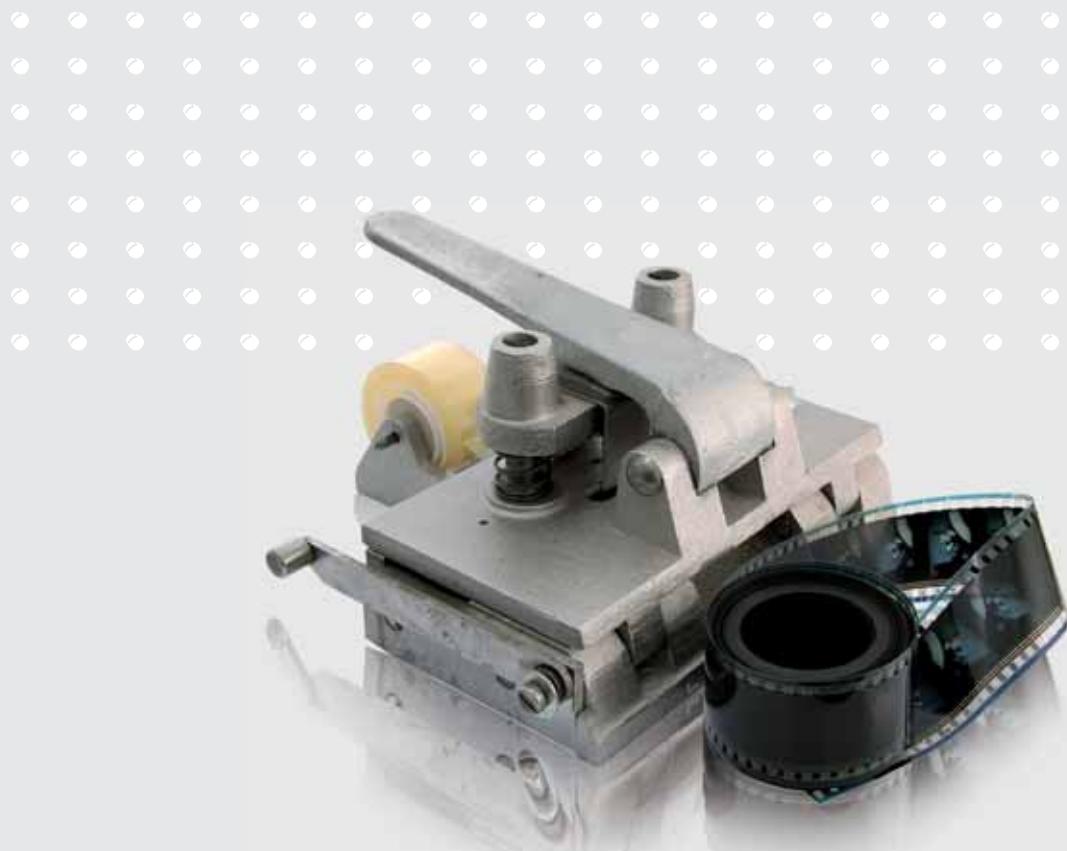
REALTECH - Cinemas

Program 2008





● The Making Of



A few years ago, SAP began revising its solution range. The focus of new applications is on a service-oriented architecture and the SAP NetWeaver technology platform. To begin with, only very few partner companies were fully aware of the new requirements placed on consultants due to this strategy change.

A photograph of a film set. In the foreground, a camera on a dolly is positioned, facing a modern, multi-story building with a glass facade and a curved roofline. Several people are visible on the building's exterior and in the foreground, some appearing to be part of the production crew. The sky is clear and blue.

● The Making Of

THE MARKET

As a company with international operations, REALTECH AG is represented by company branches on several continents. In order for our business to be a success, we are reliant not only on precise knowledge of our target markets, but also on ongoing observation of regional economic development.

● Financial crisis slows economic growth

The US real estate market crisis that began in 2007 and the subsequent turbulence on financial markets have had a significant impact on global economic trends. In view of the resulting uncertainties, it is highly likely that worldwide economic growth will slow down in 2008. One of the key questions is whether strong growth in emerging nations such as India and China can compensate for the negative consequences of a possible recession in the US. At the beginning of 2008, the US Federal Reserve attempted to boost the US economy by significantly reducing base interest rates. Analysts anticipate that the economic situation will recover to a certain extent from mid-2008 onwards as, once the financial market crisis has been overcome, consumption should pick up again.



- In view of the financial crisis, economists at the International Monetary Fund (IMF) have reduced their forecast for worldwide economic growth in 2008 to 4.1 percent, having previously predicted 4.4 percent. For the year 2007, experts have quoted a growth rate of 4.9 percent. The US economy is expected to grow by 1.5 percent of gross domestic product in 2008, as is the Japanese economy. In contrast, emerging nations such as India and China are continuing to expand rapidly. For China, for example, the IMF states an estimated growth rate of 10 percent for 2008 – only slightly below the 11.4 percent growth rate recorded in 2007.
- For the euro region, IMF experts predict a growth rate of 1.6 percent in 2008. This is slightly below the sturdy 1.7 percent that the German federal government forecast for Germany upon presenting its annual economic report. Although experts at the German Federal Ministry of Economics and Technology anticipate that the weakness of the US economy will also leave its mark in Germany, they are nevertheless optimistic. After all, company order books are well filled, and the German economy is more stable overall than it was a just few years ago.

THE IT INDUSTRY

Information technology is set to continue expanding in 2008, though not quite as fast as in 2007. According to the prominent market research and consulting company Gartner, worldwide IT expenditure rose above the 3-trillion US dollar mark for the first time in 2007, and is set to increase by a further 5.5 percent in 2008 to reach 3.3-trillion US dollars. IT expenditure is particularly increasing in emerging nations, with companies, organizations and private consumers now investing a third of these funds outside of North America, Western Europe and Japan. Information technology suppliers are increasingly turning their attention towards Asia and South America. Moreover, the fact that many executives are now coming to realize what potential information technology offers to support a company's commercial and strategic goals is also having a positive impact.

In the US, despite the threat of recession, analysts still expect IT budgets in 2008 to increase by between 3 and 4 percent. According to a Gartner survey, companies that expect their IT to lead to measurable business success will even increase their IT expenditure by 4.9 percent. Compared to the previous year, the main focus of IT investments has shifted somewhat: market researchers have discovered that one of the main IT goals is now to improve business processes. Cutting costs no longer has top priority among IT managers, and now ranks behind winning and retaining customers, and developing new products and services.

The situation looks better on the European IT market, which accounts for around 34 percent of worldwide IT expenditure. In Europe, market research company IDC expects demand for information technology to rise by 6.8 percent. One important factor here is the sustained dynamic growth in Eastern European countries. For Germany, BITKOM (the federal association for the industry) predicts that the IT market will expand by 3.5 percent in 2008 to around EUR 75 billion, while IDC is even talking of 4 percent. This means that the German market for information technology is maintaining its growth rate.

- **Continued dynamic growth in ERP software**

The enterprise software segment is expected by Gartner analysts to expand by 5.9 percent. German businesses are expected to spend around EUR 2.2 billion on business applications in the areas of ERP (Enterprise Resource Planning), CRM (Customer Relationship Management) and SCM (Supply Chain Management). This comprises both licenses and system maintenance.

- The continued, largely positive overall economic development is also driving growth. One major growth driver is the international alignment of medium-sized companies, whose increasing requirements with regard to processes and regulations are reflected in increased demand for platforms that can be used around the globe. What's more, harmonization and consolidation of ERP systems remain an important issue for major corporations that already operate on an international scale.

SOA brings increased flexibility

Information technology and business processes in companies are becoming more convergent. Over the last few years, globalization, increasing competition and technical progress have greatly increased the pressure on companies to regularly analyze their daily business processes, quickly adapt them to increasingly rapidly changing conditions and constantly look for new potential. More and more companies are therefore implementing business process management solutions to plan, monitor, control and optimize their processes.

The ideal foundations for such systems are laid by service-oriented architectures (SOAs), which are doing away with the rigid, data-focused systems of the past. Using these architectures, companies can adapt existing applications to suit their specific business processes. According to IDC, the

main activities of many users in Western Europe will in 2008 again revolve around implementing a service-oriented architecture. Banks, telecommunications suppliers and public authorities in particular will, according to the market researchers, be increasingly opting for this concept. Organizations hope to thereby benefit from increased flexibility, an improvement in the quality of their IT systems and a reduction in operating costs.

Strong growth in service and consulting

Lastly, technological goals in companies have increasingly given way to business goals. IT nowadays no longer simply provides the infrastructure for business processes, but actually plays a role in shaping these processes. Rather than being pure engineers, more and more IT managers are becoming business process architects and orchestrators. As a result of this trend, internal IT departments in companies are repeatedly faced with new challenges, which prove difficult to deal with without external service and consulting partners. Bearing all this in mind, experts at Lünendonk, an analysis company specializing in IT, predict stable growth in IT consulting and system integration. Additional growth impetus in these two segments is provided by the substantial rise in the number of business takeovers and mergers, as well as the establishment of new international sites and subsidiaries.

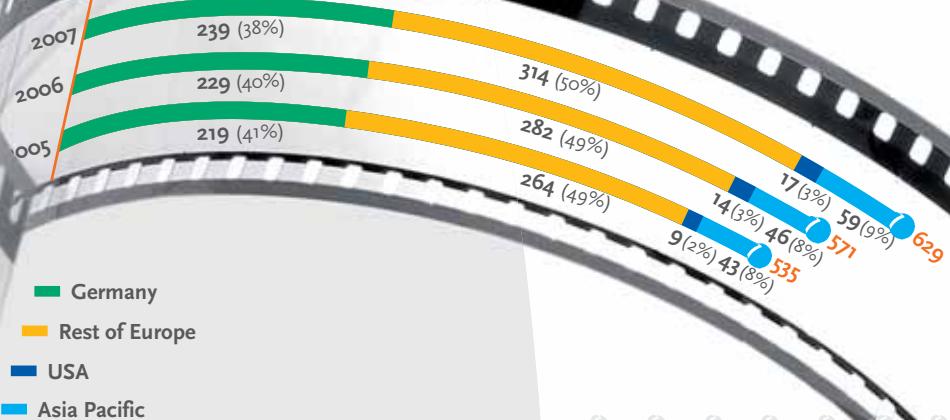
THE EMPLOYEES

There continues to be a great need in the IT industry for well trained and specialized experts. At the end of 2007, the federal association for the industry, BITKOM, calculated the number of job vacancies for IT experts to be 43,000. Around 60 percent of IT companies are looking for additional employees – in particular highly qualified software developers and IT managers. REALTECH is well prepared to deal with the current situation on the job market, and benefits from having consistently and regularly invested in good time in education and further training for its employees.

On December 31, 2007, REALTECH had 629 employees, which is 58 more than a year before and which meant an increase of 10 percent. Out of these employees, 239 worked in Germany, compared to 229 employees on December 31, 2006. This means that around 62 percent of the company's employees work at the Group's international sites.



● Employees by regions (end of year)



● Focus on people

At REALTECH, employees are far from being simple extras. The company's focus is on people and their development. With their commitment and qualifications, our employees ensure day in day out that our main performance features include competence, quality and customer satisfaction. Not only in our core business field of consulting, but also in software development, well trained specialists are the key to successful IT and consulting projects. Thanks to their knowledge and skills, our experts are able to secure REALTECH's position as a consulting specialist for SAP system environments, therefore providing the company with a decisive competitive edge.

● SAP consultants of the future

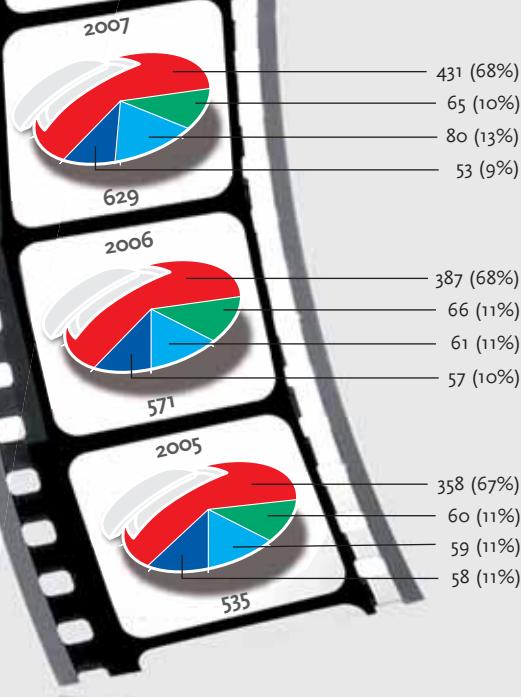
A few years ago, SAP began revising its solution range. The focus of new applications is on a service-oriented architecture and the SAP NetWeaver technology platform. To begin with, only very few partner companies were fully aware of the new requirements placed on consultants due to this strategy change. By now, projects that concentrate on SAP NetWeaver have come to shape everyday business, and analysts anticipate that they will also continue to dominate the SAP consulting market in the future. REALTECH adapted its internal training early on to the new development at SAP and these new focuses, and invested in the SAP consultants of the future. As a result, nearly three quarters of our consultants are now certified for SAP NetWeaver. The Walldorf-based software corporation rewarded REALTECH for this commitment by declaring the company a Special Expertise Partner for SAP NetWeaver, a seal of approval for SAP consultancy companies.

REALTECH further increased its appeal as an attractive employer in 2007, as a new job advertisement campaign, increased HR marketing activities and appearances at university trade fairs gave rise to more than 1,000 applications. Altogether, REALTECH hired 61 new employees, 46 of them in the consulting business area.

Another focus of activities was further training programs. A total of 31 employees worked their way through the seven-week STEP-IN qualification program, which gets consultants in shape for future SAP consulting projects. For the first time, this internal education and further training program addressed not only consultants with SAP career experience, but also those new to SAP consulting. These specialized courses are backed up by training seminars that increase employees' method expertise and social skills. This training

Employees by sectors (end of year)

Consulting
General and
administration
Sales
Development



approach enables the company to specifically encourage teamwork, as this factor will also become increasingly important in future SAP projects. In addition, employee qualification programs ensure that employees keep building on the knowledge they have gained. REALTECH plans to continue its internal further training in 2008.

A high level of commitment to training is a firm part of REALTECH's corporate strategy. The new technologies developed by SAP are giving rise to IT projects that require SAP consultants to work across different areas. Today's customers expect our SAP specialists to have much broader skills than before, and it is becoming increasingly important for them to look beyond their own specific fields. Bearing this in mind, REALTECH pays just as much attention in its internal training measures to social skills as it does to specialist expertise, and also ensures that as much practical experience as possible is incorporated into training seminars.

Clear career models for employees

It can be assumed that the need for SAP consultants will increase greatly over the next few years. REALTECH therefore strives to provide attractive career and qualification offers that will enable the company to retain its well trained employees in the long term. In addition to the qualification program, consultants benefit from a clear career model, which is defined with fixed training paths. The three pillars of competence – specialist knowledge, methodology and personality – consistently provide employees with individual support along the road to becoming specialist consultants, project managers, team leaders or managers.

For talented employees who display particular commitment, REALTECH takes special measures to promote their development – including for instance management discussion sessions at which up-and-coming professionals can exchange ideas with company executives. In this way, the company simultaneously ensures that employees at all consulting levels have a common understanding of strategy and goals. REALTECH provides a program to promote those with leadership potential, and specifically prepare them for their future work as team leaders or managers. Moreover, existing managers also regularly attend courses and training seminars to further improve their skills. After all, the highly dynamic nature of the consulting market and the company's steady growth repeatedly lead to new challenges even among top management.

REALTECH sets great store by ensuring that all managers constantly work to improve their employee leadership capability.

To strengthen ties between employees, REALTECH organizes various events such as a summer festival in which both employees and their families take part. Special conferences for consultants help them to expand their personal network within the company, as fast and competent intercommunication beyond team and project boundaries is often crucial for project success. During everyday work, regular team meetings ensure cohesion within individual groups, while employees familiarize themselves with new topics in the context of internal specialist groups.



The working environment at REALTECH is characterized by friendly and helpful colleagues, combined with short processing and decision-making paths. New colleagues are able to find their feet in their new jobs within a remarkably short space of time, and therefore rapidly contribute to the company's success. In 2007, the successful measures of our HR department, which has the goal of keeping qualified employees in the company in the long term, once again revolved around employees feeling at home, being important and progressing. After all, it is only in this way that our company can gain further market shares and grow faster than the market average despite the tough competition on the IT consulting market.

with customers and suppliers alike – and the larger the number of companies networked in a close partnership, the faster those taking part can respond to changed conditions. These trends are also being driven by the Internet and Web 2.0 technologies.

Success despite tough competition

When it comes to making a company adaptable, information technology is the key factor that decides between success and failure, as it enables companies to collaborate quickly in a virtual world spanning numerous locations. IT has thus long since been transformed from the driving force behind cost efficiency into a strategic competitive tool, and is considered to be the engine that drives change in companies.

In order to assert themselves in an international environment and set themselves apart from the competition, organizations must be able to adapt their own services quickly and flexibly to current customer requirements – individually and at competitive prices. This strategy presents a challenge to all areas of a company, from administration through to development and production, right through to marketing and sales. Only those who base their corporate culture on flexibility, openness, collaboration and speed will be successful on the market in the long term.

THE SITUATION

The Internet, new information technologies and market globalization have changed the economy at the beginning of the 21st century. This change has been accompanied by intensified international competition, as powerful players including states such as Brazil, Russia, India and China are penetrating the global market, and are set to be followed by further emerging nations. At the same time, conditions are changing a lot faster than only a few years ago, with the corporate landscape being shaped by alliances, mergers and increasing numbers of acquisitions. The job market is characterized by increasing production in low-wage countries and a lack of skilled workers. The Basel II equity guidelines combined with ever-tougher environmental regulations are increasing business risks. However, these negative factors are offset by new opportunities that are arising through technologies such as RFID (radio frequency identification) and nanotechnology. At the same time, consumers have become more demanding and are scrutinizing new developments such as gene technology extremely critically. And, last but not least, new concepts such as Web 2.0 – technologies that encourage interactive, group-specific Internet use and speed up communication around the globe – are establishing themselves in the business world.

New ways of gaining a competitive edge are offered by the transformation of existing business relationships. Companies are making use of their partner networks to strengthen their ties



Key success factors for constant growth and increased competitiveness include intelligent, clearly defined processes and fast decision-making. In this way, recent challenges such as ever-shorter product cycles and increasingly tough quality guidelines can be mastered. When it comes to IT implementation, it is advisable to follow two strategies, which go hand in hand. The first strategy involves making the IT infrastructure flexible so that companies can quickly combine existing technical processes to form customer-friendly services, and the second is active process management to enable internal processes to be adapted to market requirements and statutory regulations without having to overcome technical hurdles.

● **SOA – the ideal basis for IT environments**

The IT landscape in many companies has progressively expanded over time. Practically everything – from terminal-based mainframe computer applications and standard software such as SAP through to portable Java applications – can be found in computer centers. Step by step, large enterprises, medium-sized companies and public authorities have added additional software applications to their IT infrastructure. However, isolated proprietary solutions can slow down working processes as, in the worst case scenario, the software doesn't even allow people to work without media discontinuity. At the same time, this type of bloated and rigid IT system means an extremely high development and maintenance outlay for IT departments.

Often, the only way to cope with this complexity is to implement a new approach, namely to modernize the application environment based on a service-oriented architecture (SOA). This new system architecture marks the end of rigid, data-centered models and is considered by experts to be a significant milestone in the history of IT. Service-oriented architectures are bringing new IT environment qualities into the spotlight. With their help, companies can merge all existing and new software applications to form a single, harmonized system and constantly enhance this system. In the future, it will no longer be the application that dictates the limits of business processes. On the contrary, applications will support companies in adapting their processes to current business circumstances in the best possible way.

Put in simpler terms, a service-oriented architecture constitutes a broad framework in which independent, loosely connected software services can be created,



- managed and combined. Each of these services is available on its own, can be used again, and can be accessed via a standardized interface. IT developers can combine individual services by mouse-click as they choose, and make these services available to users in the various departments of a company in line with requirements. This gives companies the opportunity to smoothly link their existing applications to new applications. The resulting software environments are completely flexible, and can be adapted to suit any possible change in no time at all.

Increased flexibility with SAP NetWeaver

- SAP AG has developed its own solution for a flexible application architecture. This software module, Enterprise SOA (ESOA), paves the way for SAP users to set up a service-oriented IT environment. ESOA adds business elements to supplement the model of independent Web services. This has the advantage that companies can control the entire innovation and standardization cycle for business applications within a homogenous environment.

The core product in the ESOA strategy is the SAP NetWeaver integration platform. This platform lays the technological foundations, for instance, for opening up existing application systems and making individual program functions available as reusable services. On top of this, the platform connects processes and IT systems across company boundaries, thus making it possible for organizations to combine existing program functions to accommodate new technical processes. As a result, companies are in a position to respond flexibly to new market requirements.

Enterprise SOA and the extensive possibilities offered by SAP NetWeaver are leading to a fundamental change in the development of business processes. In the future, organizations will be able to model business processes and combine them in practically any way they choose, meaning that new processes can be set up quickly and easily. This will lead to decisive advantages in particular for companies with international operations, as processes can be used in all organizations and countries via the Internet.



At REALTECH, the focus is on the goals and interests of customers. Since being founded in 1994, the company has in this way succeeded on the highly competitive IT consulting market in establishing itself as a competent partner for the optimization of business processes – for

international companies of all sizes and in all industries. SAP AG, the largest manufacturer of enterprise software worldwide, has been an important cooperation partner for REALTECH for many years. This close collaboration with SAP and the geographical proximity of the two Walldorf-based companies give REALTECH a valuable competitive edge in numerous IT projects in terms of expertise.

REALTECH offers an end-to-end range of services in the area of SAP, and builds a bridge between technology and business processes. With this combination of specialist SAP technology knowledge and expertise in the process consulting business, REALTECH sets itself apart from the competition. The company's aim is to offer consulting services, strategies, solutions and products that provide customers with the best possible support in mapping their business processes with IT. This is made possible by the particular expertise of the company's employees.

Around the globe, more than 2,000 businesses and organizations have already put their trust in REALTECH's expertise and solutions. The range of services offered also covers areas above and beyond SAP applications that are set to shape the information technology market in years to come. This is particularly true of the high-margin segment of strategic business process consulting, an area in which REALTECH has over the past few years increasingly invested in developing.



Solutions for business processes

Strategic IT consulting provides customers with an end-to-end approach that lays all the necessary foundations for operating an SAP NetWeaver or Enterprise SOA infrastructure. REALTECH has taken up this issue at an early stage, aiming to ensure long-term success both for itself and for its customers. When implementing SAP projects, companies will in the future place an emphasis on a holistic view of business processes and the technologies used. REALTECH consultants analyze business processes, paying attention to the entire IT environment, and pinpoint ways in which companies can optimize these processes. This results in clear statements regarding the productivity, return on investment and total costs of an IT project within a defined period of time.

Preparation for SAP NetWeaver

Ever since SAP AG presented its new SAP NetWeaver integration platform, REALTECH has been paying great attention to this technology. The company is able to support customers with a wide range of consulting services relating to all aspects of SAP NetWeaver, ranging from strategic planning and benefit-oriented implementation through to reliable operation. Efficient integration of users and systems into processes puts customers in a position to tap the entire potential offered by SAP

NetWeaver technology. Thanks to the close collaboration between the two Walldorf-based companies, REALTECH is able to gather practical experience of implementing new SAP NetWeaver components at a very early stage. For customers, this means that REALTECH processes new projects quickly, efficiently and reliably.

SAP strategy consulting

In the area of SAP technology and strategy consulting, REALTECH is a reliable partner for its customers in IT optimization, consolidation and operation. Well-trained specialists support customers in rationalizing their IT processes and structures in order to achieve tangible, permanent savings in computer center operation. In terms of consolidation consulting, REALTECH ensures reliable and cost-effective operation of both new and existing IT infrastructure, and thus helps companies to set up simple, homogeneous system environments with consistent business processes.

Powerful software solutions

Alongside the consulting segment, REALTECH also has a second core area: developing software. The Walldorf-based company has made the most of the customer proximity of its consulting specialists to continually expand this business field. The consultants are familiar with the market, technology, infrastructure and typical customer problems, thanks to their day-to-day work. This experience is then input into software development, with the result that the products are closely aligned with the challenges customers face.

REALTECH's theGuard! software family enables organizations to automate their IT services. These products control the pulse of the entire IT environment – from the network through to databases, right through to applications. The various theGuard! products monitor IT systems largely automatically, identify possible sources of error early on, and provide IT managers with suggestions as to how weak spots can be remedied quickly and efficiently. As a result, organizations can benefit from reliable IT systems with minimum downtime. Customers consider the theGuard! product range to be one of the most powerful system management solutions worldwide, as has been confirmed by IT analysts such as the Giga Information Group.

A further focus of REALTECH's product range entails software tools developed especially for SAP systems. To name a few examples, these applications create powerful automated interfaces to other systems while also increasing efficiency, quality and security for program



- and data modifications in SAP systems. This is also confirmed by SAP, which has for instance awarded REALTECH's TransportManager solution the title "Certified for SAP NetWeaver".

Sturdy foundation for business success

REALTECH AG has long since transformed itself from a specialist for SAP technologies into a strategic consulting partner for business-critical IT projects. The company's range of services is closely aligned with the requirements of customers. Its two business fields, IT consulting and software solutions, ideally complement one another and provide a sturdy foundation for continuing to successfully implement the company's business strategy, namely to assist organizations around the globe in optimizing their business processes along the entire value chain.

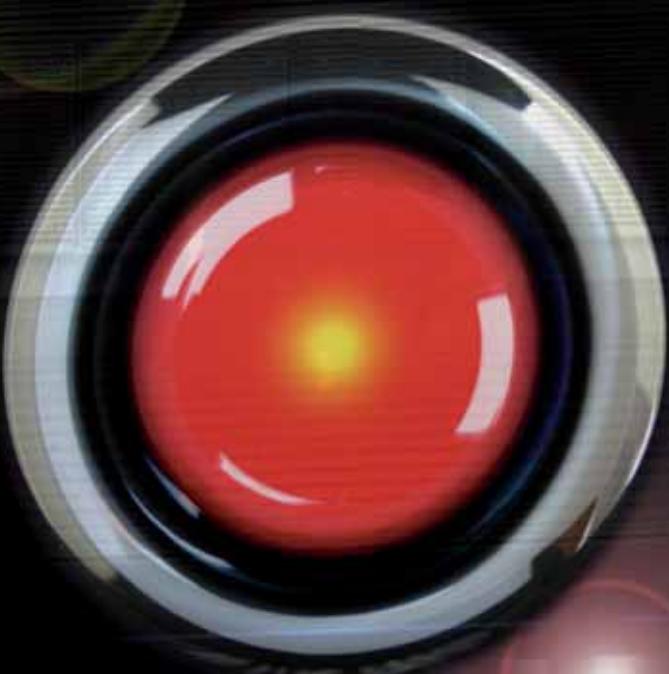
All this goes to show that REALTECH is in an excellent position to provide customers with highly competent support along the road to the new era in information technology, and to further expand its own strong position on the IT consulting market – to the benefit of the company, employees, customers and shareholders.





2007

a serverroom competence

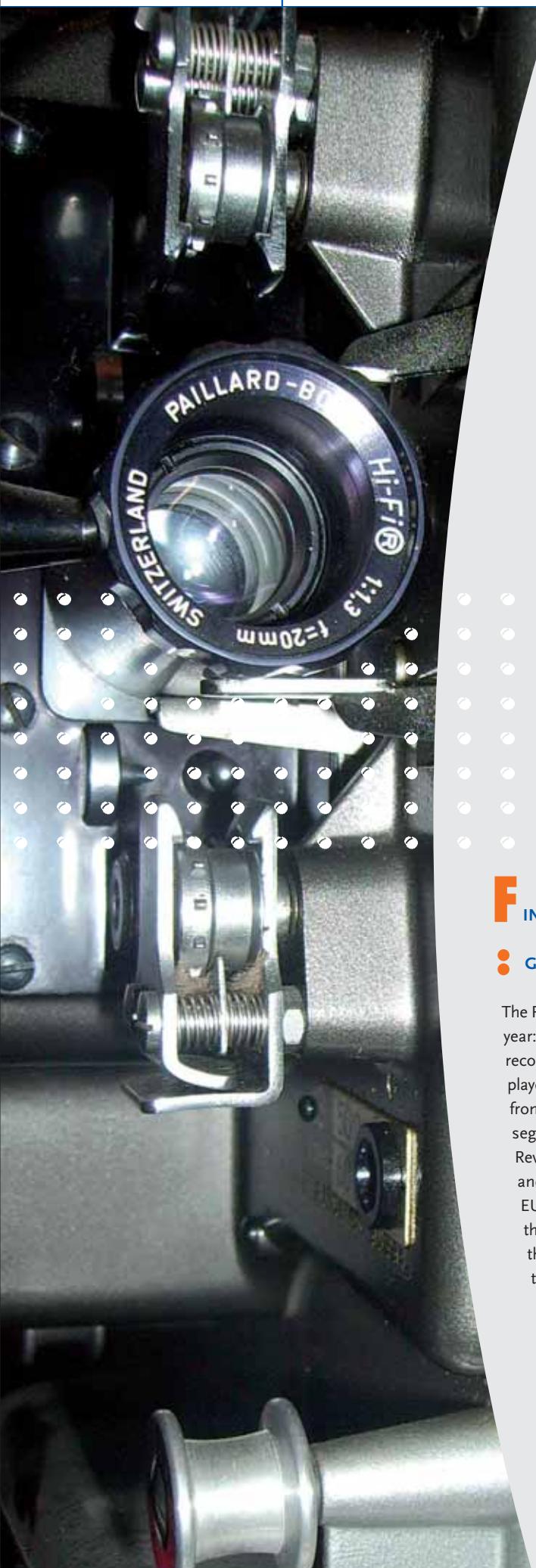


a REALTECH-production



● Management Report

EBIT increased by 77 percent from EUR 3,731 thousand to EUR 6,610 thousand in 2007, while the EBIT margin increased from 7 percent to 10 percent. EBITDA improved by 49 percent from EUR 5,094 thousand to EUR 7,600 thousand. This very pleasing development in important key figures can be attributed to the fact that both segments contributed towards earnings independently of one another.



● Management Report

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



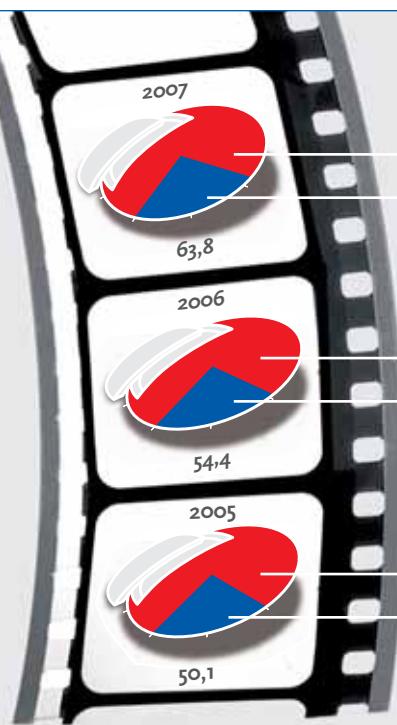
FINANCIAL SITUATION

● Group business development

The REALTECH Group increased its revenue by 17 percent in fiscal year 2007 (previous year: 9 percent) from EUR 54,380 thousand to EUR 63,752 thousand, therefore recording the highest figure since the company was founded. Both business areas played a role here: Consulting revenue increased 16 percent (previous year: 8 percent) from EUR 42,948 thousand to EUR 49,801 thousand, meaning that the consulting segment brought in 78 percent (previous year: 79 percent) of Group revenue. Revenue from in-house software development, in the form of licenses, maintenance and supplementary services, rose 22 percent (previous year: 11 percent) from EUR 11,432 thousand to EUR 13,951 thousand. With revenues of EUR 13,573 thousand (previous year EUR 11,934 thousand) in consulting and EUR 4,507 thousand (previous year: EUR 3,766 thousand) in the case of software, each of the two segments recorded a record revenue level in the fourth quarter of 2007.

Production costs increased in the year under review by 19 percent from EUR 32,350 thousand to EUR 38,609 thousand. Based on revenue, the figure rose slightly from 60 percent to 61 percent.

This resulted in an increase in gross profit on revenue from EUR 22,030 thousand to EUR 25,143 thousand, or by 14 percent. Relative to revenue, the figure fell from 41 percent to 39 percent.



Revenues by segments (millions EUR)

Consulting Software



- Selling expenses increased by 11 percent from EUR 7,246 thousand to EUR 8,013 thousand, thus representing 13 percent of revenue as in the previous year.
- The company succeeded in reducing administrative costs by 4 percent from EUR 7,039 thousand in the previous year to EUR 6,763 thousand. At the same time, these expenses fell from 13 percent to 11 percent as a proportion of revenue.
- Costs in the area of research and development, at EUR 4,557 thousand, remained on a par with the figure for the previous year (EUR 4,593 thousand). As a percentage of revenue, this expenditure decreased from 8 percent to 7 percent.

EBIT (earnings before interest and taxes) increased by 77 percent from EUR 3,731 thousand to EUR 6,610 thousand in 2007, while the EBIT margin increased from 7 percent to 10 percent. EBITDA (earnings before interest, taxes, depreciation and amortization) improved by 49 percent from EUR 5,094 thousand to EUR 7,600 thousand. This very pleasing development in important key figures can be attributed to the fact that both segments contributed towards earnings independently of one another. Consulting recorded an income from operations of EUR 3,298 thousand (previous year: EUR 1,770 thousand), while the software segment, at EUR 2,511 thousand (previous year: EUR 1,381 thousand), recorded a positive income from operations for the second time, following on from the positive figure in 2006.

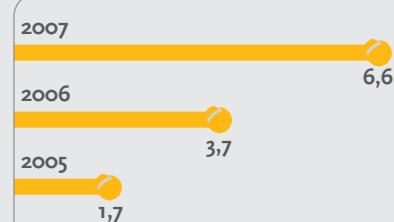
Net interest increased from EUR 457 thousand to EUR 651 thousand as a result of rising interest rates. Earnings from financial investments and securities dropped from EUR 103 thousand to EUR 51 thousand. This figure concerns in particular income from selling securities. Mainly as a result of the values of the Japanese yen and US dollar falling compared to the euro, a currency translation loss of EUR 99 thousand was recorded in 2007 (previous year: EUR 91 thousand).

Income taxes amounted to EUR 2,567 thousand, up from EUR 2,180 thousand in 2006. This includes EUR 2,553 thousand (previous year: EUR 1,745 thousand) of actual tax expense and EUR 14 thousand (previous year: EUR 435 thousand) of deferred tax expense. The tax quota fell from 52 percent in the previous year to 36 percent.

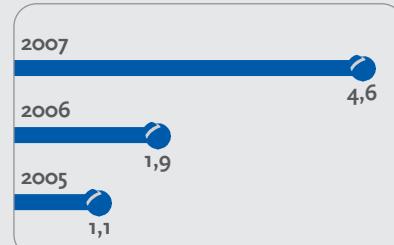
Net income improved disproportionately, increasing by 139 percent from EUR 1,902 thousand to EUR 4,552 thousand in 2007. Based on the basic number of 5,248,452 shares on the end-year key date, this amounts to earnings per share of EUR 0.87 (previous year: EUR 0.37 at 5,173,452 shares).

Income situation and cash flow (millions EUR)

EBIT



Net income



Cash flow







● Appropriation of net profits

REALTECH AG's annual financial statements form the basis for a resolution to be passed during the General Meeting on the appropriation of earnings. The net profit recorded by REALTECH AG in the year under review amounted to EUR 3,089 thousand, following on from EUR 3,177 thousand in 2006. At the General Meeting, REALTECH AG's Executive and Supervisory Boards will propose the distribution of a dividend of EUR 0.50 per share for fiscal year 2007 from the company's net profit. The two committees made this decision on February 11, 2008. The General Meeting is scheduled to be held in Wiesloch on May 29, 2008.

In contrast to 2006, when REALTECH AG's net income included profit distributions from foreign subsidiaries to the amount of EUR 1,150 thousand, net income in fiscal year 2007 was generated exclusively by the German companies.

● Investment and financing

The REALTECH Group's cash flow from operating activities increased in the year under review, amounting to EUR 4,409 thousand following a figure of EUR 2,413 thousand in 2006. This development is essentially thanks to the substantial improvement in net income and an increase in liabilities, which more than compensated for the simultaneous increase in trade receivables.

Cash flow from investments in 2007 amounted to minus EUR 4,251 thousand, having been EUR 814 thousand the year before. This reduction was particularly caused by restructuring of interest-bearing securities between the two key dates.

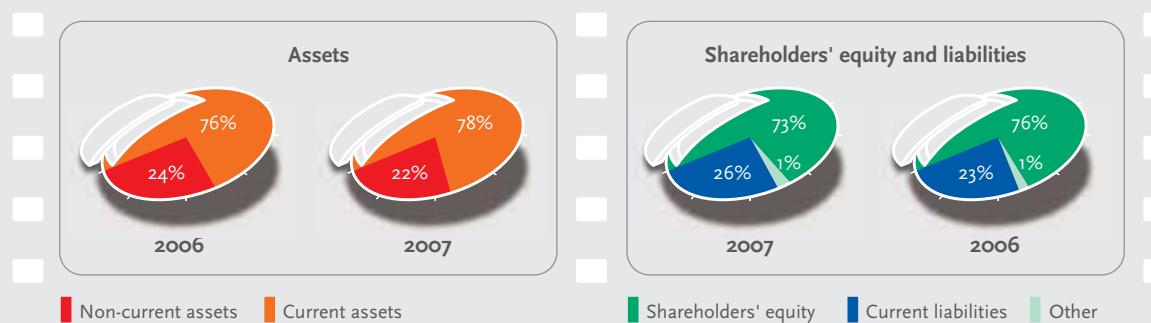
Cash flow from financing activities decreased from EUR 270 thousand to minus EUR 3,246 thousand, particularly due to the reduction in capital and the dividend distributed.

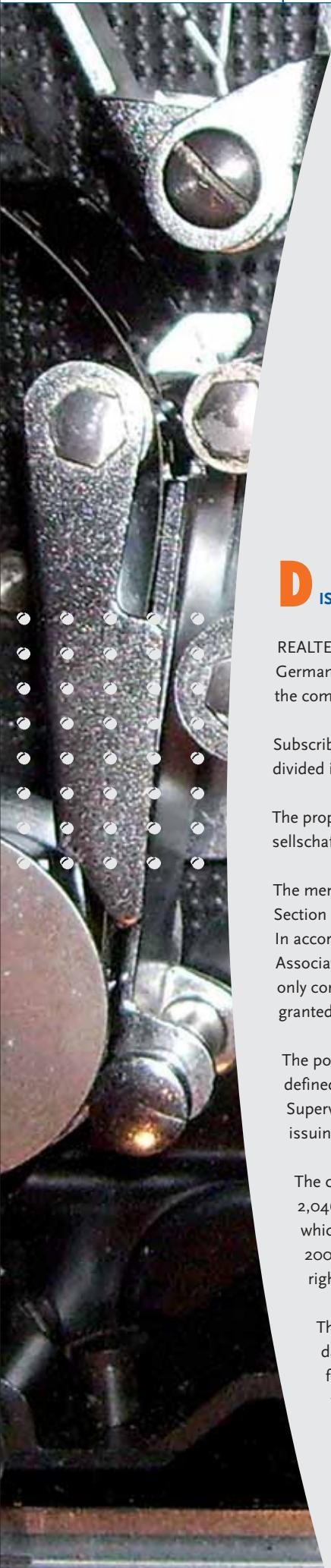
● Balance sheet structure

Compared to the same key date the previous year, total assets were up 6 percent from EUR 60,937 thousand to EUR 64,936 thousand. The main reason for this was the increase in receivables on December 31, 2007 compared to the end of the previous year. The equity ratio fell slightly from 75.3 percent to 72.7 percent. The equity capitalization continues to form a sound basis for achieving the company's planned growth targets.

On the balance sheet date, the REALTECH Group had net cash and cash equivalents of EUR 28,066 thousand (previous year: EUR 27,997 thousand). It should be taken into account here that profits to the amount of EUR 2,612 thousand (EUR 0.50 per share) were distributed in May 2007.

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





D ISCLOSURES AS PER SECTION 315, PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE

REALTECH AG is required to provide disclosures in accordance with the catalog in Section 315, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB) for the past fiscal year (2007). To meet this requirement, the company is providing the following information:

Subscribed capital is made up as follows: The company's subscribed capital amounts to EUR 5,248,452.00 and is divided into 5,248,452 no-par value shares. The shares are in the name of the holder.

The proportions of capital held by Mr. Daniele Di Croce, Mr. Rainer Schmidt, Mr. Peter Stier and AvW Invest Aktiengesellschaft each exceed 10 percent of voting rights.

The members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 of the German Stock Corporation Act (Aktiengesetz, AktG) and Section 5.2 of the Articles of Association. In accordance with Section 179, paragraph 1 of the German Stock Corporation Act, every change to the Articles of Association requires a decision to be made at the Annual General Meeting. The authority to make changes that only concern wording can be transferred by the Annual General Meeting to the Supervisory Board. This authority is granted to the Supervisory Board in Section 10.2 of the Articles of Association.

The powers of the Executive Board with regard to issuing or buying back shares are as follows (further details are defined in Section 4 of the Articles of Association): The Executive Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions up until May 1, 2009 by issuing new shares against cash or non-cash contributions by a total of up to EUR 3,233,707.02.

The company's subscribed capital has been conditionally increased by up to EUR 2,598,707.02 by issuing up to 2,046,226 new no-par value shares. 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.

The company's contingently issuable capital according to the commercial register extract on the balance sheet date is EUR 2,431,067.02. Neither the expiry of the abovementioned authorization from the General Meeting from May 16, 2002 to May 15, 2007 nor the reduction of contingently issuable shares by EUR 24,000.00 due to the exercising of conversion rights in November 2007 have yet been entered in the commercial register. The company's contingently issuable shares on the balance sheet date were EUR 301,000.00 (3,010 bonds each consisting of 100 shares).

As of the end of the day of the Annual General Meeting on May 22, 2007, in accordance with Section 71,



paragraph 1, no. 8 of the German Stock Corporation Act, the company was authorized to purchase treasury shares amounting to up to 10 percent of the current share capital of EUR 6,570,284.04 up until November 21, 2008 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.

R ESEARCH AND DEVELOPMENT

REALTECH's theGuard! software family forms an end-to-end solution for the automatic monitoring of IT systems, the analysis of company applications and the efficient, error-free operation of complex IT environments. The product range is supplemented by change management and data integration applications that are designed especially for SAP operation.

Having modernized fundamental components of its existing products in 2006, REALTECH invested primarily in new solutions in 2007. These new solutions represent significant enhancements to existing applications, making companies more competitive and also covering additional future market requirements.

Investments

REALTECH AG's research and development costs in fiscal year 2007 reached a value of EUR 4,553 thousand, which is slightly below the previous year's figure of EUR 4,593 thousand. As a percentage of revenue, this expenditure therefore fell from 8 percent to 7 percent. On December 31, 2007, the Group had 57 employees working in the research and development division at its Walldorf and Schweitenkirchen sites (previous year: 57 employees).

New products

The newly developed theGuard! Business Process Monitor solution helps companies to very efficiently monitor and accurately assess complex system environments. Thanks to its numerous open and easy-to-operate interfaces, the application can be put to a wide range

of different uses, including as an IT service control center for a large number of other, existing monitoring solutions. The project that the company won in 2007 together with the aerospace company EADS to equip the German Federal Armed Forces with a central control system including network monitoring for mobile devices is evidence that this new development is an investment that meets market needs.

In addition, REALTECH has added a modern graphical user interface to theGuard! ApplicationManager, its product for monitoring and analyzing the performance of software applications. Using this product, companies can flexibly analyze large quantities of data relating to user activity, consumption and throughput in real time.

REALTECH is also continuing to expand other existing products. For example, theGuard! ServiceCenter has been given new multi-client capability, thus making it more suited to the needs of IT outsourcers that offer services such as support to a large number of external customers. On top of this, product development has focused, as in previous years, on the implementation of additional functions that will enable companies to fully meet the internationally recognized ITIL (Information Technology Infrastructure Library) management standards.

In the area of special SAP solutions, REALTECH has significantly expanded its TransportManager product in order to provide better support in the future for the



RISK MANAGEMENT

As a company with global operations, REALTECH AG's wide range of activities exposes it to various risks. The Group defines risks in the broadest possible sense as the danger of not reaching its financial, operational or strategic goals as planned. In order to ensure that the company is successful in the long term, it is thus essential to effectively identify and analyze risks, and to take appropriate control measures to remove or at least limit these risks.

REALTECH has an extensive risk management system, which allows the company to detect risks early on, analyze them and take appropriate measures. This system is implemented as an integral component of business processes throughout the company. It comprises a series of control mechanisms and is a core element of strategic decisions. Amongst other things, this includes the entry, monitoring and control of internal company processes and business risks, various management and control systems, a uniform, Group-wide planning process, as well as comprehensive and regular risk reporting. In order to ensure the effectiveness of risk management, transparency and the aggregation of risks in conjunction with reporting, REALTECH has established a uniform, Group-wide and integrated approach towards the management of company risks with direct reporting to the Executive Board. In this way, the Group can continually identify and assess the risks involved in all key business activities using a standardized, methodical approach. In addition, specialist departments are able to monitor implementation of the defined counteractive measures and regularly report on risks to management or the Executive Board.

Uniform risk assessment throughout the corporate group

When assessing risks, REALTECH considers their probability of occurrence and the extent of damage that they would cause. In the process, the company uses both quantitative and qualitative methods, which are standardized throughout the company and thus make it possible to compare risk assessments across different business areas. The company then uses the result for the probability of occurrence and extent of damage, based on the uniform, Group-wide risk assessment matrix, to provide an assessment of the risk as a percentage.

In other areas that are less amenable to quantitative assessment, REALTECH uses the aforementioned standardized risk assessment matrix as a basis to perform qualitative risk assessments. In this process, the company estimates the probability of occurrence of individual risks and their consequences based on an assessment period of three years, and prioritizes risks accordingly. Risks are only controlled by taking out insurance when the Group considers this appropriate with a view to the associated economic benefits.



● **Clearly defined risks**

- With a view to creating transparency with regard to all risks that exist in the Group and also facilitating the tasks of risk management and reporting, REALTECH records all identified risks in a risk map as part of corporate reporting. In the context of quarterly risk reporting, the various specialist departments consolidate and aggregate risk management information and report on this to the Executive Board. If risks have an expected loss of more than EUR 4 million, REALTECH considers them to endanger the company's continued existence.
- The company reviews its risk management guidelines and risk map on an annual basis and modifies them where necessary. Each year, the auditor investigates the basic suitability of the company's risk management system for the early recognition of risks that endanger the company's continued existence as defined in Section 91, Paragraph 2 of the German Stock Corporation Act.

The significant company risks established and tracked using the risk management system are listed below under the risk category to which they belong based on the structure of the internal risk management reporting system.

● **Economic risks**

The acquisition and implementation of REALTECH products and the implementation of REALTECH consulting projects can involve sizeable investments for customers, and are therefore subject to an investment decision-making process. Uncertainties, caused by changes in the political, legal and social situation, may have negative effects on the Group's net assets, financial position and earnings – as a result of both a reduction in the general willingness to invest and a time delay in the planning of such investments. The company's international orientation and the fact that REALTECH offers its products on all important world markets provide the company with the flexibility to compensate regional economic difficulties through better results on other markets. It therefore seems unlikely that earnings will be significantly affected by a decline in the general global economic situation.

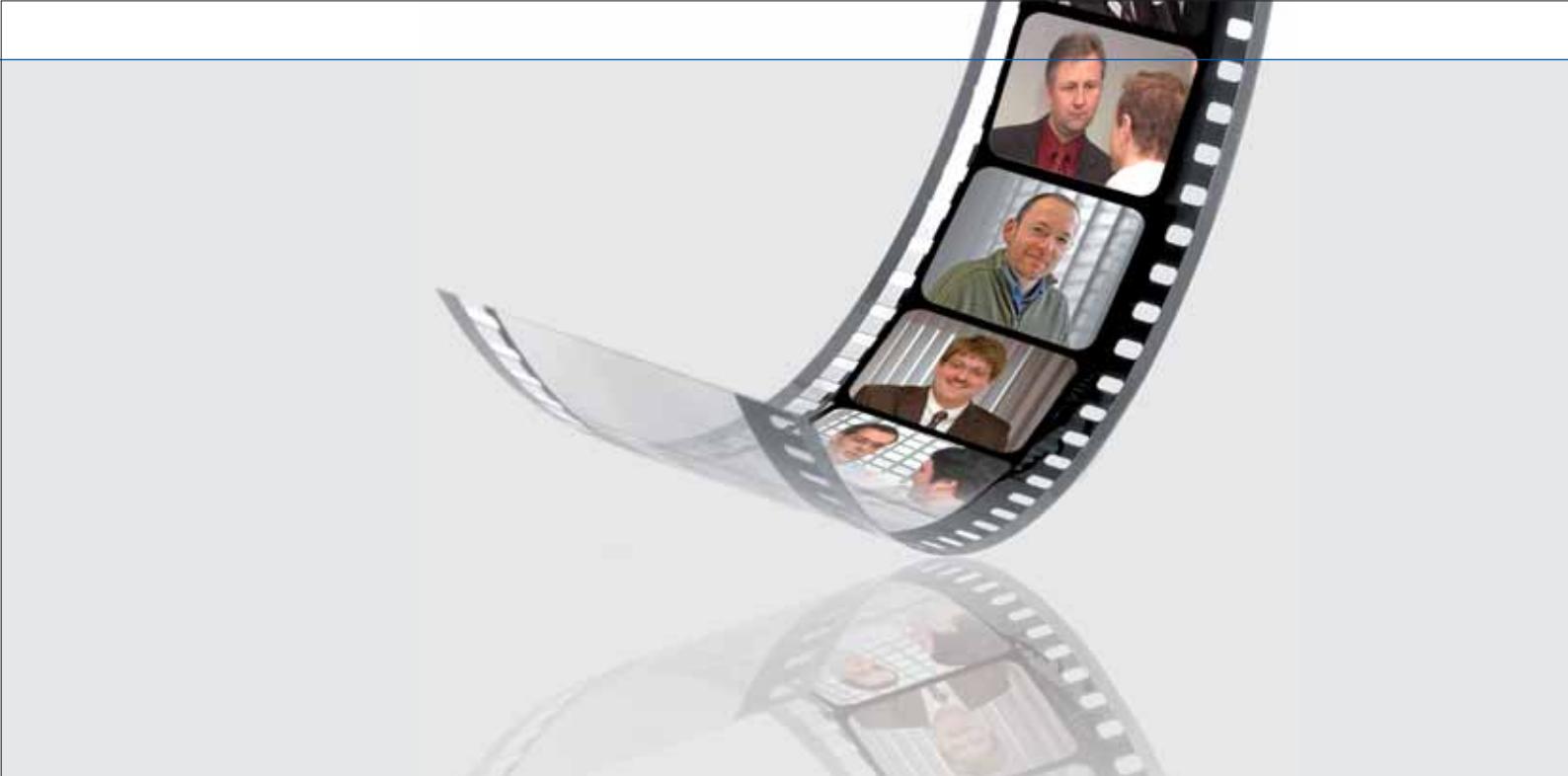
The economic declines resulting from events such as terrorist attacks, armed conflicts and natural catastrophes in recent years were generally only of a short-term nature and have had no lasting negative impact overall on business success.

REALTECH currently markets its products and services in more than 25 countries worldwide. Business activities in these countries are associated with the usual risks involved in international activities. As specified above, these risks include in particular the general economic or political situation of individual countries, interaction between different tax systems, and legal hurdles such as import and export restrictions, legal regulations governing the use of the Internet, and guidelines for the development or provision of software and services. For the majority of important target markets, in particular the markets in the EU, the Group considers these risks to be unlikely to take effect and believes their consequences to be minimal, thanks to the high level of convergence of legal regulations and tax code.

● **Market risks**

In recent years, the entire IT sector has experienced a phase of consolidation resulting from company mergers. This also affected large companies such as SAP, IBM, Microsoft and Oracle. One possible consequence of a substantial increase in competition from new or stronger competitors is a decrease in revenues.

Concentrating on products from SAP makes REALTECH largely dependent on the market acceptance of this partner. REALTECH



- anticipates that the market for SAP solutions will continue to grow. In addition, SAP records a substantial proportion of its sales revenues from its large regular customer base. Should existing SAP customers decide against extending their maintenance contracts, or decide not to sign any new license contracts for further products, this could have a significant influence on the revenues and income of REALTECH. However, in view of the extremely sound growth recorded by SAP in business with existing customers in recent years, this seems unlikely. In addition, an increasing proportion of revenues recorded as a result of new customer business offers new sales opportunities and thus partial substitution options.

REALTECH's forecasts are based on the assumption that demand for system management products will continue to increase at the rate predicted by industry analysts. When it comes to developing its solutions, moreover, 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. In addition, REALTECH is confident that it can meet the requirements of its customers due to the fast benefits obtained from the application of products and implementation of consulting projects, combined with assessable risk and foreseeable costs. For this reason, the Group considers it unlikely that planned product innovations and services will have any significant negative impact on income growth.

Personnel risks

It is the company's highly qualified employees who enable REALTECH to provide and market its services, develop and market its products, and successfully manage its business processes. If a large number choose to leave REALTECH and the company is unable to find suitable replacement employees, this may have a detrimental effect on business. With the exception of selected executives, the employment contracts of most REALTECH employees currently contain no competition clause for the event that the employees terminate their working relationship. Therefore, in view of the fact that competition for highly qualified people in the IT sector has become stronger again, it is not possible to guarantee that REALTECH will be able to retain its top performers in the long term. Nevertheless, the employee fluctuation rate is relatively low. The company therefore estimates the risk of suffering any real impairment to its business development as a result of losing managers and employees to be low at present.

Communication and information risks

In recent years, REALTECH has implemented a range of measures to counteract the risk of internal, confidential announcements and information regarding highly sensitive topics, for instance future strategies and products, being passed on to the general public incorrectly or too early. These measures include binding company-wide security standards and guidelines on internal and external communication, IT precautions to prevent confidential internal content from being forwarded via external communication networks, as well as the distribution of specially encrypted hardware to employees who regularly work with confidential information.



- Despite this, there is no guarantee that these protective mechanisms will be successful in every single case. However, in view of the far-reaching measures, which REALTECH regularly reviews, the company considers it unlikely that the aforementioned risk will take effect.

Financial risks

Since January 1, 1999, the euro has been REALTECH's balance sheet and Group currency. The company processes a comparatively small proportion of its transactions in other currencies, meaning that the periodic fluctuations of individual currencies may have an effect on REALTECH's sales revenues and earnings. Appreciation of the euro in respect to other currencies generally has a negative effect, while depreciation of the euro has a positive effect. However, the company estimates these risks to be low and easy to calculate. REALTECH continually monitors potential currency fluctuation risks on the basis of balance sheet items and expected cash flows, and deals with these risks by means of targeted exchange rate management. Other financial risks are averted by a credit management system, as well as by stringent receivables management and checks on creditworthiness.

Operative risks

REALTECH needs to take a large number of potential risks into account with regard to its consulting and product business. Despite numerous precautions, the Group is unable to guarantee that it will succeed in detecting and neutralizing all risks at an early stage. Moreover, several of these risks lie outside REALTECH's sphere of influence.

Principally, the company is subject to the risk that the products and services it offers may not enjoy sufficient market acceptance. As a result of a rapid technology changeover or erroneous development activities, for instance, the company may not quite meet customer requirements. In addition, cyclical fluctuations may postpone expected revenues and income in the short or medium term.

One core part of the SAP strategy entails ensuring that the SAP NetWeaver technology and business process platform achieves a further breakthrough on the market. This is an area of ever-increasing importance for REALTECH, in which the company regularly invests. Should SAP NetWeaver fail to achieve the aspired breakthrough, this would affect the sales revenues and earnings of REALTECH.

All REALTECH solutions, as well as all new product versions, are subject to a comprehensive quality assurance procedure. Nevertheless, there is still a danger of issues occurring that have a negative effect on the company's image. Identified errors could cause a delay in new products being brought to market, with the result of additional costs and lost revenues.



- Events that occur as a result of such risks may detract from the validity of original assumptions regarding future business developments as well as forecasts regarding revenue and income. At present, REALTECH assumes that general economic conditions will have no significant negative impact on its business development. Nevertheless, unexpected changes in the economic situation could have a detrimental effect on the Group's revenue and income.

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. Such acquisitions are also planned for the future, whereby REALTECH's main aim is to specifically extend its product portfolio. The risks typical of such transactions include the integration of 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.

Insurance risks

The REALTECH Group is insured against claims for damages, including claims under liability law. In this way, the company is able to limit the possible consequences of remaining risks, if not eliminate them altogether. REALTECH regularly reviews the extent of its insurance cover and updates it as necessary.

Other risks

Risks also result from rules and laws relating to tax, competition, and patents. In order to counteract such risks, REALTECH bases decisions and the design of business processes on extensive legal consulting both by its own experts and by proven external experts. Although REALTECH essentially protects its rights, software, and intellectual property through copyright and trademarks, the company cannot entirely eliminate the possibility of unauthorized users copying its products or misusing existing rights.

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

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

OUTLOOK

In fiscal year 2007, REALTECH AG seamlessly followed on from the successful previous year. In terms of revenue and income, the company recorded the highest figures in its history, with revenue increasing year on year by 17 percent and income from operations (EBIT) increasing by 77 percent. If we take a look at development over the past fiscal year of 2007, it once again becomes apparent how greatly REALTECH is benefiting from the measures launched in 2004 to restructure its business fields.

REALTECH has successfully transformed itself from a pure technology consultancy firm for SAP systems into a consulting specialist for business processes and projects of strategic



- importance. The company has already been distinguishing itself for several years through its competent consulting services for business processes in connection with SAP applications. On top of this, REALTECH also continues to support its customers in optimizing, consolidating and operating complex IT infrastructures. In expanding its consulting portfolio to also cover operational processes, the company has tapped another promising market – and REALTECH has plans to position itself even more firmly as a supplier of business process integration in the future.

Competent process consulting

With its combination of SAP technology skills and expertise in the process consulting business, REALTECH sets itself apart from the competition. Moreover, the company is also a leading solution supplier for demanding SAP products and systems on an international scale, an exceptional position that SAP AG has confirmed by including REALTECH in several exclusive partner programs.

Over the next few years, the company intends to further expand its unique selling points of SAP technology skills and expertise in the process consulting business. A clear emphasis will be placed on expertise relating to innovative and powerful SAP application environments. After all, this is one of the market segments in which analysts anticipate a substantial increase in demand for consulting services.

The reason for this development is a fundamental change in information technology, turning away from rigid system structures and towards the flexibility offered by service-oriented architectures (SOAs). Experts are certain that the future of application infrastructures lies in this concept. SAP AG has developed its own solution for a flexible application architecture. This software, Enterprise SOA (ESOA), paves the way for SAP users to establish a service-oriented IT environment. The core product in the ESOA strategy is the SAP NetWeaver integration platform. This solution will lead to further change on the market for consulting services, as major corporations and medium-sized companies alike are increasingly launching projects with the aim of putting an SOA strategy into practice – and are greatly dependent on the type of external expertise that REALTECH offers.



Strategy and technology consultants

In the consulting business, REALTECH strives to focus on future-oriented topics and thus achieve profitable growth in all three segments: in SAP technology consulting, in the preparation for SAP NetWeaver and in solutions for business processes using SAP NetWeaver/ESOA. In particular, the company intends to consistently continue to focus on higher-volume projects that require intensive consulting services, a focus that was introduced in 2005. In this context, REALTECH plans to particularly concentrate on further strengthening the business process integration segment, as well as to broadly market SAP NetWeaver competence by training new employees.

In addition, REALTECH plans to keep the option of inorganic growth open. Growth is to be boosted by partnerships and acquisitions that enhance REALTECH's range of services and solutions. The key criterion here is that the companies considered fit in with REALTECH in terms of the subject areas they cover, their technical level and their corporate culture.

In the software business, REALTECH will continue to concentrate on its two product lines: its theGuard! software family and

applications especially tailored for use with SAP. The company's activities in 2008 will again revolve around current technological developments, alongside plans to constantly further develop the solutions in both product lines, make them even more user-friendly, and enhance them by adding new service features and functions. In this way, REALTECH products will help make the company's customers more competitive while at the same time covering future market requirements. REALTECH anticipates that the software business area will make a significantly increased, positive contribution towards the company's net income again in 2008.

Once again in 2008, the REALTECH Group perceives the main focus of its activities to be in Europe, with the core markets of Germany, Italy and Spain offering the greatest potential for growth. For example, the company maintained its leading position in SAP technology consulting in Spain in 2007, and hopes to further build on this excellent position in 2008. Business also progressed as planned in 2007 in the USA and the Asia-Pacific region, with the result that REALTECH also anticipates stable growth rates there in 2008.

Long-term employee retention

In times characterized by a strong demand for IT specialists, it is particularly important to keep employees within the company. REALTECH therefore continues to pay great attention to ensuring that employees perceive the company as an attractive employer. To this end, alongside offering suitable salaries, the company makes every effort to offer targeted education and further training as well as various national and international deployment prospects. On top of this, REALTECH offers its employees individual development plans and clear career models in order to keep them within the company in the long term.

For fiscal year 2008, REALTECH has set itself ambitious, but achievable goals. The Executive Board aspires to achieve a revenue growth rate of 14 percent for the corporate group, and hopes to see income from operations (EBIT) rise by 11 percent. These positive expectations are based on the clearly defined range of services that the company has had since restructuring. REALTECH intends to build on these foundations in order to continue to achieve profitable growth with high margins – something that should also be reflected in future distribution of dividends to shareholders.



R ESPONSIBILITY STATEMENT

Affirmation of the legal representatives:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

• **Consolidated
Financial Statements**



ALANCE SHEETS



RTC : 29.08.07



• Consolidated Balance Sheets

• ASSETS	Notes	31.12.2007 EUR	31.12.2006 EUR
Non-current assets			
Intangible assets	(7)		
Concessions, industrial rights and similar rights and assets		297.716	162.340
Goodwill		4.335.679	4.335.679
		4.633.395	4.498.019
Tangible assets	(7)		
Property, plant and equipment		7.772.756	8.002.845
Technical equipment and machines		44.911	60.341
Other equipment and office equipment		1.709.024	1.491.969
		9.526.691	9.555.155
Financial assets	(7)		
Securities		32.872	34.631
Other loans		52.199	52.830
		85.071	87.461
Deferred tax assets	(14)	304.141	517.319
		14.549.298	14.657.954
Current assets			
Receivables and other assets			
Trade receivables	(9)	21.159.209	17.330.648
Tax assets	(14)	211.759	205.680
Other assets	(10)	950.362	745.039
		22.321.331	18.281.367
Securities	(11)	18.180.309	15.024.394
Cash and cash equivalents		9.885.536	12.972.973
		50.387.176	46.278.734
Total assets		64.936.474	60.936.688



SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	31.12.2007 EUR	31.12.2006 EUR
Shareholders' equity	(12)		
Subscribed capital		5.248.452	6.570.284
(Authorized capital EUR 301.000,00; py: EUR 2.495.837,02)			
Additional paid-in capital		34.200.867	33.749.587
Surplus for market appraisal of securities		168.515	25.969
Cumulative translation differences		(135.964)	(157.299)
Retained earnings		7.276.847	5.336.833
		46.758.717	45.525.374
 Minority interests	(13)	443.893	370.496
		47.202.610	45.895.870
 Current liabilities			
Trade accounts payable	(16)	2.186.072	1.768.110
Income tax payable	(14)	1.415.082	919.400
Provisions	(15)	8.561.773	8.266.118
Other liabilities	(16)	3.553.972	2.145.214
Deferred income	(17)	1.498.706	1.124.803
		17.215.605	14.223.645
 Deferred tax liabilities	(14)	518.259	817.173
 Total shareholders' equity and liabilities		64.936.474	60.936.688

• Consolidated Statements of Income

	Notes	2007 EUR	2006 EUR
Revenues	(18)	63.752.375	54.380.196
Costs of revenues		38.609.006	32.350.069
Gross profit		25.143.369	22.030.127
Selling and marketing expenses		8.013.345	7.246.295
General and administrative expenses		6.763.222	7.039.189
Research and development expenses		4.557.405	4.593.382
Other operating expenses	(20)	1.326.201	1.553.980
Other operating income	(21)	2.126.970	2.133.347
Operating income		6.610.166	3.730.628
Net interest	(22)	650.567	456.656
Income from financial assets and securities		51.225	102.573
Foreign currency exchange gains/losses		(98.684)	(90.712)
Income before taxes and minority interests		7.213.274	4.199.145
Income taxes	(14)	2.566.525	2.180.166
Income before minority interests		4.646.749	2.018.979
Minority interests	(13)	94.509	116.570
Net income	(24)	4.552.240	1.902.409
Accumulated profit/loss carried forward		5.336.833	3.943.669
Dividend payment		2.612.226	509.245
Retained earnings		7.276.847	5.336.833
Average number of shares outstanding – basic	(24)	5.248.452	5.173.452
Average number of shares outstanding – diluted	(24)	5.549.452	5.632.452
Earnings per share – basic	(24)	0,87	0,37
Earnings per share – diluted	(24)	0,82	0,34



• Consolidated Statements of Cash Flows

	2007 EUR	2006 EUR
Net income	4.552.240	1.902.409
Depreciation of fixed assets	990.220	1.363.441
Change in income tax payable	(407.534)	(364.171)
Payment for income taxes	903.217	290.621
Change in provisions	295.655	841.831
Change in trade receivables	(3.828.561)	(2.687.275)
Change in other assets	1.775	379.953
Change in trade accounts payable and in other current liabilities	1.901.710	686.107
Cash flow from operating activities	4.408.721	2.412.916
Asset disposals	3.329	43.145
Purchase of intangible assets	(239.517)	(68.618)
Purchase of tangible assets	(864.284)	(566.491)
Investment in financial assets	5.731	(40.712)
Change in current securities	(3.805.096)	990.393
Proceeds from interests	654.736	463.496
Payment for interests	(5.554)	(6.840)
Cash flow from investing activities	(4.250.655)	814.373
Change in dividends	(2.612.226)	(509.245)
Change in convertible bonds	451.280	521.330
Other change in shareholders' equity and in minority interests	(1.084.554)	257.411
Cash flow from financing activities	(3.245.500)	269.496
Change in cash and cash equivalents	(3.087.437)	3.496.786
Cash and cash equivalents at beginnig of the period	12.972.973	9.476.187
Cash and cash equivalents at end of the period	9.885.536	12.972.973

• Consolidated Statements of Changes in Shareholders' Equity

	Common stock Number	Subscribed capital EUR	Additional paid-in-capital EUR
December 31, 2004	5.092.452	6.467.414	33.228.257
Net income			
Unrealized profit/ loss from securities translations			
incl. effects from its realization			
Translation adjustments			
Minority interests			
December 31, 2005	5.092.452	6.467.414	33.228.257
Change in subscribed capital	81.000	102.870	
Net income			
Unrealized profit/ loss from securities translations			
incl. effects from its realization			
Translation adjustments			
Dividend payment			
Execution of stock options and convertible bonds			521.330
Minority interests			
December 31, 2006	5.173.452	6.570.284	33.749.587
Change in subscribed capital	75.000	(1.321.832)	
Net income			
Unrealized profit/ loss from securities translations			
incl. effects from its realization			
Translation adjustments			
Dividend payment			
Execution of stock options and convertible bonds			451.280
Minority interests			
December 31, 2006	5.248.452	5.248.452	34.200.867



Equity

Surplus for market appraisal of securities EUR	Cumulative translation differences EUR	Retained earnings EUR	REALTECH AG shareholders' interest of equity EUR	Minority interests EUR	Shareholders' equity EUR
15.450	(102.714)	2.833.270	42.441.677	0	42.441.677
		1.110.399	1.110.399		1.110.399
(194.496)			(194.496)		(194.496)
	79.475		79.475		79.475
				286.909	286.909
(179.046)	(23.239)	3.943.669	48.529.507	286.909	43.723.964
			102.870		102.870
		1.902.409	1.902.409		1.902.409
205.015			205.015		205.015
	(134.060)		(134.060)		(134.060)
		(509.245)	(509.245)		(509.245)
			521.330		521.330
				83.587	83.587
25.969	(157.299)	5.336.833	45.525.374	370.496	45.895.870
			(1.321.832)		(1.321.832)
		4.552.240	4.552.240		4.552.240
142.546			142.546		142.546
	21.335		21.335		21.335
		(2.612.226)	(2.612.226)		(2.612.226)
			451.280		451.280
				73.397	73.397
168.515	(135.964)	7.276.847	46.758.716	443.893	47.202.610

Notes to the Consolidated Financial Statements

A CCOUNTING POLICIES

1. Basis of preparation of the consolidated financial statements

REALTECH AG has prepared its consolidated financial statements in accordance with the accounting standards of the International Accounting Standards Board (IASB) – i.e. the International Financial Reporting Standards (IFRS) as they must be applied in the EU – since fiscal year 2005. The IAS, IFRS and corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC) applicable on December 31, 2007 have been taken into account. The figures for the previous year were also determined based on the same standards. IFRS 7 Financial Instruments was applied for the first time in fiscal year 2007. This has not given rise to any changes (see 26.).

According to Section 315a of the German Commercial Code (Handelsgesetzbuch, HGB), REALTECH AG is required to prepare consolidated financial statements in accordance with IFRS. The consolidated financial statements have been prepared in euros. Where there is no indication of the contrary, all amounts are specified in thousands of euros (TEUR). The consolidated financial statements give a fair presentation of the Group's net assets, financial position and earnings situation.

The income statement has been prepared in accordance with the "cost of sales" method. REALTECH AG is a registered stock corporation under German law and is headquartered in Walldorf/Baden, Germany.

The company maintains a presence and offers its products and services in Germany, Italy, Spain, Portugal, the United States of America, New Zealand, Singapore, Japan and Argentina. The company manages and supports its subsidiaries specializing in technology consulting, hosting SAP and e-business solutions, and software development for applications and systems management.

The consolidated financial statements and Group management report have been drawn up by the Executive Board, and were approved for forwarding to the Supervisory Board on February 11, 2008. The Supervisory Board will release these statements for publication on March 10, 2008.

2. Companies included in the consolidated financial statements

The group of consolidated companies of REALTECH AG, Walldorf, contains all subsidiaries in which the parent company holds a direct or indirect majority of voting rights:



- REALTECH System Consulting GmbH, Walldorf, Germany, 100%
- REALTECH Sales GmbH, Walldorf, Germany, 100%
- DB-Online GmbH, Walldorf, Germany, 100%
- LMC-LAN Management Consulting GmbH, Schweitenkirchen, Germany, 100%
- GloBE Technology GmbH, Walldorf, Germany, 100%
- REALTECH Italia S.p.A., Agrate Brianza, Italy, 100%
- REALTECH System Consulting S.L., Madrid, Spain, 100%
- REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lisbon, Portugal, 100%
- REALTECH Inc., Malvern, PA, USA, 100%
- REALTECH Ltd., Auckland, New Zealand, 100%
- REALTECH System Consulting Pte. Ltd., Singapore, 100%
- REALTECH Japan Co., Ltd., Tokyo, Japan, 54.1%



The group of consolidated companies has not changed since December 31, 2006.

Of the German subsidiaries with the legal form of a corporation, REALTECH System Consulting GmbH, Walldorf, LMC-LAN Management Consulting GmbH, Schweitenkirchen, and REALTECH Sales GmbH, Walldorf fulfilled the requirements stipulated in Section 264 (3) of the German Commercial Code (Handelsgesetzbuch) for utilizing the exemption regulation. The company thus refrains from disclosing the annual financial statements.

3. Consolidation methods

The consolidated financial statements are based on annual financial statements that the companies included in the Group have prepared following the uniform IFRS rules. They have been checked by independent auditors. In accordance with the IFRS specifications, initial consolidation is carried out at the time of purchase, while deconsolidation is carried out at the time of sale. The balance sheet dates of the companies included in the consolidated financial statements correspond to the Group's balance sheet date (December 31).



For the subsidiaries included, capital consolidation is carried out using the purchase method. The cost of the interests acquired is offset against the proportionate equity of the subsidiary at the time of purchase. Where no substantial differences exist between the fair value and the recognized value of assets and liabilities, remaining differences are recognized as goodwill under intangible assets in accordance with IFRS 3. Negative goodwill must be recognized in the income statement. For all companies initially consolidated before January 1, 2004, the updated values from consolidation in conjunction with US-GAAP accounting have been retained in accordance with IFRS 1.

Intercompany revenues, income and expenses, and receivables and payables are offset and intercompany profits are eliminated. The necessary deferred taxes are applied to the consolidation transactions.

● **4. Currency translation**

The annual financial statements of the company's foreign subsidiaries are converted to euros in accordance with IAS 21 using the modified reporting date method and based on the concept of functional currency. As the subsidiaries conduct their operations autonomously from an organizational, financial and economic viewpoint, the national currency in each case is identical to the functional currency.

Income and expenses are converted at average annual exchange rates, while assets and liabilities are converted using the mean rate on the balance sheet date. The resulting difference is offset against equity with no effect on profit or loss and is shown separately there (reconciling item in currency translation).

● **5. Summary of significant accounting policies**

Intangible assets

Intangible assets are accounted for and measured in accordance with IAS 38, which stipulates that intangible assets acquired must be measured at cost less straight-line depreciation.

Intangible assets essentially comprise software and acquired goodwill. The regular useful life of software is three years.

In connection with the rules of IFRS 3, goodwill is accounted for based on the impairment only method and is subject to regular impairment tests.



The impairment tests are carried out for the defined cash generating units based on the rules of IAS 36 using the discounted cash flow method. The data from corporate planning, approved by management and the supervisory bodies, is used for this. This is based on a three-year period. Planning is based on the experience and results of past fiscal years, as well as on expectations regarding future market developments. As it is assumed that the acquired goodwill will be utilized in the long term, the last planning phase has been continued without a growth markup. The two segments of consulting and software are defined as cash generating units. As in the previous year, the goodwill of EUR 4,335 thousand recognized on December 31, 2007 is made up of EUR 2,601 thousand from the consulting segment and EUR 1,734 thousand from the software segment.

Property, plant and equipment

Property, plant and equipment are recognized at cost less usage-based depreciation. A useful life of between 3 and 10 years is defined for movable property, plant and equipment. Buildings are subject to straight-line depreciation over 40 years.

Write-downs on property, plant and equipment are carried out in accordance with IAS 36, as long as the recoverable amount of the asset is higher than the carrying amount. The recoverable amount of an asset is defined as the higher of its net realizable value and its value in use. If the reasons for carrying out write-downs in previous years have ceased to apply, the asset is written up accordingly.

Leasing

Lessees are considered to be beneficial owners if all the risks and rewards incidental to ownership are substantially transferred by the terms of the finance lease (IAS 17). If beneficial ownership is attributable to the REALTECH Group, the assets are capitalized at the time the contract is signed – at fair value or at the lower present value of the minimum lease payments. Depreciation is carried out using the straight-line method in line with the economic life or over the shortened contract term

The discounted payment obligations resulting from the leasing installments are treated as liabilities and presented under other liabilities.

Where operating leases exist in the REALTECH Group, leasing installments or rental payments are treated directly as an expense in the income statement.

Receivables

Trade receivables are shown at the time the revenue is realized or consideration is rendered and are measured at amortized cost taking account of appropriate markdowns for all recognizable risks.

Receivables resulting from issuing software licenses are not accounted for until a signed contract with the customer exists, any rights of return that have been granted have expired, and the software has been provided in accordance with the contract.

Other receivables are measured at cost. They are written down to the respective market price.

Deferred taxes

Deferred taxes are recognized, in accordance with IAS 12, for all temporary differences between the carrying amounts in the consolidated balance sheet and the tax base of assets and liabilities, as well as for tax loss carryforwards.

Deferred tax assets for accounting and measurement differences as well as for tax loss carryforwards are only recognized if it is sufficiently probable that these differences will lead to the corresponding benefits in the future. Deferred tax assets and liabilities are set off against one another if the tax creditors are identical and the payment periods match.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, bank balances and fixed-term deposits with terms of up to 3 months. The securities item only includes highly liquid short-term financial investments which can be converted into certain cash amounts at any time and are only subject to insignificant value fluctuations.

The company classifies all current-asset securities as available for sale. These items are measured on the balance sheet date at market value, with value changes being offset against equity with no effect on profit or loss.

Liabilities

Liabilities are carried at amortized cost. Liabilities resulting from finance leases are shown at the present value of the future leasing installments.



Provisions

Provisions take account of all recognizable obligations to third parties in accordance with IAS 37. It must be possible to reliably estimate their extent and it must be more likely than unlikely that this will lead to an outflow of future resources. Provisions are only made for legal and constructive obligations to third parties.

No provisions are made for expenses because there is no external obligation in this case. The established provisions are assigned to current liabilities.

Use of estimates

A certain amount of estimates and assumptions are required in the consolidated financial statements. These affect the assets and liabilities carried on the balance sheet and the disclosure of income and expenses during the period under review. The actual amounts may differ from the estimates and assumptions.

Revenues

The revenues of REALTECH AG essentially involve revenues from service contracts, from granting software licenses (usually for a limited period of time) and from the services closely related to this, as well as from maintenance revenues.

Service contracts for which customers are billed on the basis of the hours worked are accounted for depending on the services rendered by the REALTECH companies.

Revenues and expenses resulting from service contracts for which a fixed price has been agreed are accounted for based on the progress of the service (percentage of completion method, "PoC") in accordance with IAS 11 and IAS 18 – if the extent of the revenues can be measured reliably, it is sufficiently probable that the economic benefits associated with the transaction will flow to REALTECH AG, and the costs incurred for the transaction and the costs to complete the transaction can be determined reliably.

Revenues resulting from issuing licenses with no time restriction are not accounted for until a signed contract with the customer exists, any rights of return that have been granted have expired, the software has been provided in accordance with the contract, a price has been agreed or can be determined, and payment is sufficiently probable.

Revenues resulting from the maintenance business are accounted for proportionately over the period during which the service is rendered.

Revenues are presented less discounts, price reductions and customer bonuses.



Costs of revenues

Costs of revenues comprise full production-related costs on the basis of normal capacity utilization. Specifically, costs of revenues include individual costs that can be directly attributed to orders – essentially costs for personnel – as well as fixed and variable overheads, for instance depreciation.

Research and development expenses

Research and development expenses are treated as an expense in the income statement when they are incurred. During the process of creating and further developing software, the research and development phases are closely connected. This makes it impossible to precisely distinguish between the expenses involved in the two phases. The criteria for capitalizing separate development expenses in accordance with IAS 38.57 in conjunction with IAS 38.53 are therefore not met.

6. Essential differences between IFRS/IAS accounting and accounting based on German commercial law

The accounting and measurement rules that are essentially different from those under German commercial law are as follows:

- Goodwill is subject to a regular impairment test. It is no longer amortized.
- Available-for-sale securities are measured at their fair value, even if this value exceeds the cost. Price gains and losses are posted directly in equity (revaluation surplus), set off against deferred taxes payable.
- Revenues from fixed-price projects are accounted for based on the percentage of completion.
- Buildings are depreciated in line with their probable useful life, not based on tax scales.
- Leasing agreements which meet the more restrictive requirements for financial leasing defined by IFRS are recognized in the balance sheet as an asset or leasing liability.
- Provisions are only made for obligations to third parties if the probability of a claim being made is at least 50 percent. Medium-term and long-term provisions are recognized at their present value. No provisions are made for neglected maintenance or for expenditure.



- According to IFRS there is a general obligation to recognize deferred taxes for all temporary differences between the tax values and the values recognized in the consolidated balance sheet, whereby quasi-permanent differences must also be classified as being temporary. When it comes to calculating deferred taxes, the tax rate that must be applied is that which will be valid in the future at the time when the tax deferral is likely to be reversed based on the legal situation in the various countries on the balance sheet date.

According to German commercial regulations, it is only obligatory to recognize the deferred tax liabilities and the deferred tax assets on consolidation measures. In the process, the deferred taxes are calculated based on the tax rates valid on the balance sheet date. It is not permissible to recognize deferred taxes for quasi-permanent differences between the values in the tax balance and the consolidated balance sheet which are only amortized over a longer period of time or when the asset is sold or liquidated.

According to IFRS, deferred tax assets must be accounted for on tax loss carryforwards provided that it is sufficiently probable that the future tax benefit will be realized.

Monetary items in foreign currency are measured using the closing rate and recognized in the profit or loss for the period. As an exception to this rule, exchange differences from non-current intragroup items that constitute part of a net investment in a foreign company are recognized within equity with no effect on profit or loss.



NOTES ON THE CONSOLIDATED BALANCE SHEETS AND THE CONSOLIDATED STATEMENTS OF INCOME

7. Non-current assets

Non-current assets changed as follows:

	Acquisition and manufacturing costs				
	01.01.2007 TEUR	Additions TEUR	Disposals TEUR	Currency translation adjustments TEUR	31.12.2007 TEUR
Concessions, industrial rights and similar rights and assets	1.904	242	0	(2)	2.144
Software manufactured in-house	4.741	0	0	0	4.741
Goodwill	7.075	0	0	0	7.075
Intangible assets	13.720	242	0	(2)	9.219
Property, plant and equipment	10.042	90	0	(1)	10.131
Technical equipment and machines	181	38	19	(15)	185
Other equipment and office equipment	7.862	819	55	(67)	8.559
Tangible assets	18.085	947	74	(83)	18.875
Securities	35	(1)	1	(5)	28
Other loans	53	0	1	0	52
Financial assets	88	(1)	2	(5)	80
	31.893	1.188	76	(90)	28.174



	Accumulated depreciation					Net book values	
	01.01.2007 TEUR	Additions TEUR	Disposals TEUR	Currency translation adjustments TEUR	31.12.2007 TEUR	31.12.2007 TEUR	31.12.2006 TEUR
	1.742	106	1	0	1.847	297	162
	4.741	0	0	0	4.741	0	0
	2.739	0	0	0	2.739	4.336	4.336
	9.222	106	1	0	9.327	4.633	4.498
	2.039	322	1	(2)	2.358	7.773	8.003
	121	28	(1)	(10)	140	45	60
	6.370	594	66	(48)	6.850	1.709	1.492
	8.530	944	66	(60)	9.348	9.527	9.555
	0	0	5	0	(5)	33	35
	0	0	0	0	0	52	53
	0	0	5	0	(5)	85	88
	17.752	1.050	72	(60)	18.670	14.245	14.141

8. Interests in associates

On December 31, 2007, REALTECH AG directly held interests of at least 20% in the following companies:

Company name and location	Share of capital %	Equity on 31.12.2007 TEUR	Net income 2007 TEUR
REALTECH System Consulting GmbH, Walldorf, Germany	100,0	26	1)
REALTECH Sales GmbH, Walldorf, Germany	100,0	24	1)
DB-Online GmbH, Walldorf, Germany	100,0	161	2
LMC-LAN Management Consulting GmbH, Schweitenkirchen, Germany	100,0	39	1)
GloBE Technology GmbH, Walldorf, Germany	100,0	237	3
REALTECH Italia S.p.A., Agrate Brianza, Italy	100,0	2.182	458
REALTECH System Consulting, S.L., Madrid, Spain	100,0	1.265	565
REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lissabon, Portugal	100,0	204	147
REALTECH Inc., Malvern, PA, USA	100,0	205	124
Realtech Ltd., Auckland, New Zealand	100,0	1.036	317
REALTECH System Consulting Pte. Ltd., Singapore	100,0	178	94
REALTECH Japan Co., Ltd., Tokyo, Japan	54,1	522	111

1) A profit and loss transfer agreement exists.

Delivery and service relationships exist between the associates.

9. Trade receivables

	31.12.2007 TEUR	31.12.2006 TEUR
Trade receivables	21.799	17.777
Allowances	640	446
	21.159	17.331

The trade receivables are due in the short term. This also includes those from production orders. The allowances have been calculated based on past experience of payment defaults.

● **10. Other receivables and other assets**

	31.12.2007 TEUR	31.12.2006 TEUR
Advance wage and travel cost payments	136	102
Deferred revenue	212	27
Prepaid expenses	323	258
Saundry	279	358
	950	745

● **11. Current-asset securities**

Excess funds are invested in part in interest-bearing securities, quoted in euros, with short-term or medium-term residual terms or in mutual funds that invest in such assets. The Group has therefore classified these securities as available for sale. There are no trading securities. The securities item is broken down as follows:

	Market value 31.12.2007 TEUR	Unrealized gain 2007 TEUR	Unrealized loss 2007 TEUR
Interest-bearing securities	1.439	82	0
Mutual funds	16.741	462	0
	18.180	544	0

The Group's financial assets primarily comprise bank balances, trade receivables and securities. The credit risk is limited in the case of liquid funds as these have been assigned a high credit rating by international rating agencies. The Group does not have a significant concentration of credit risks as the risks are spread among a large number of contract parties and customers.

● **12. Equity**

Subscribed capital

The company's subscribed capital has been paid in full. It was decided at the General Meeting held on May 22, 2007 to reduce REALTECH's subscribed capital by EUR 1,396,832.04 to EUR 5,173,452.00. At that point in time, the company's subscribed capital amounted to EUR 6,570,284.04, split into 5,173,452 ordinary bearer shares with no par value, making the arithmetical proportion of the subscribed capital EUR 1.27 per share. The reduction

was carried out in accordance with the regulations concerning ordinary capital reduction (Section 222 ff of the German Stock Corporation Act), by reducing the arithmetical proportion of subscribed capital allotted to each no-par value share. As a result of the capital reduction, the proportionate amount of subscribed capital allotted to each individual share decreased by EUR 0.27 from EUR 1.27 to EUR 1.00. This decision to reduce capital was entered in the commercial register on August 8, 2007, and the entry was announced on August 13, 2007. At the end of the required period of six months for the protection of creditors (Section 225, paragraph 2, sentence 1 of the Stock Corporation Act) following announcement of entry of the capital reduction decision in the commercial register, the reduction amount was paid out to shareholders on February 14, 2008.

The number of no-par value shares issued as per December 31, 2007 amounted to 5,248,452. As a result of the exercising of conversion rights granted as part of the company's various share-based remuneration programs, the number of shares increased in fiscal year 2007 by 75,000. The nominal value of subscribed capital increased accordingly by EUR 88,770.

The company's subscribed capital on the balance sheet date amounted to EUR 5,248,452.

Authorized capital

The General Meeting of May 18, 2004 authorized the Executive Board to increase the subscribed capital against cash and/or non-cash contributions by a total of up to EUR 2,546,226.00 before May 1, 2009 by issuing 2,546,226 no-par value shares (authorized capital). The Executive Board and Supervisory Board are authorized to exclude shareholders' subscription rights.

Contingently issuable shares

For the purpose of granting shares to the holders of convertible and/or warrant-linked bonds, the General Meeting on May 16, 2002 decided to implement a conditional capital increase of up to EUR 2,598,707.02 by issuing up to 2,046,226 new shares by May 15, 2007.

The company's contingently issuable capital according to the commercial register extract on the balance sheet date is EUR 2,431,067.02. Neither the expiry of the abovementioned authorization from the General Meeting from May 16, 2002 to May 15, 2007 nor the reduction of contingently issuable shares by EUR 24,000.00 due to the exercising of conversion rights in November 2007 have yet been entered in the commercial registry. The company's contingently issuable shares on the balance sheet date were EUR 301,000.00 (3,010 bonds each consisting of 100 shares).

Please also refer to the section on the Convertible Bond Program.



Share-based remuneration

REALTECH AG has set up various stock option and convertible bond programs for Executive Board members, senior executives and other employees in the Group. The expense recorded for services during fiscal year 2007 is EUR 70 thousand (previous year: EUR 170 thousand). This concerns expenses resulting from share-based remuneration transactions with compensation through equity instruments in accordance with IFRS 2.

The assessment is based on an expected volatility of 25.90%. It is assumed that future trends can be derived from historical volatility values, whereby the actual volatility may differ from the assumptions made here. The calculation is based on the Black Scholes formula, applying a risk-free interest rate of 3.93%. The anticipated term of these options is five years. The exercise price is EUR 8.80.

Convertible Bond Program

The conditional capital increase resolved by the General Meeting on May 16, 2002 to issue convertible and/or warrant-linked bonds also entails bonds being issued to company employees and managers – apart from the group of four founding shareholders – as well as to employees and members of the executive boards of companies associated with the company in accordance with Section 15 of the German Stock Corporation Act (Aktiengesetz, AktG).

No convertible bonds were issued in fiscal year 2007.

In fiscal years 2003 to 2006, convertible bonds were issued with the following conditions:

	2003	2004	2005	2006
Issue date	31.07.2003	31.07.2004	18.07.2005	31.07.2006
Face value	1,00 EUR	1,00 EUR	1,00 EUR	1,00 EUR
Total face value of the convertible bond	100 EUR	1.000 EUR	450 EUR	3.000 EUR
Term	30.07.2008	30.07.2009	17.07.2010	30.07.2011
Interest p.a.	6,0 %	5,0 %	5,0 %	5,0 %
Exercise price	5,89 EUR	7,00 EUR	6,97 EUR	8,80 EUR
Issued options	10.000	100.000	45.000	300.000
Earliest time of conversion	31.07.2005	31.07.2006	18.07.2007	31.07.2008
Latest time of conversion	30.07.2008	30.07.2009	17.07.2010	30.07.2011

Issued options

The following table summarizes information about the company's convertible bonds as of December 31, 2007.

Year of issue	Exercise price EUR	Number of exercisable options	Number of outstanding options
2003	5,89	3.000	3.000
2004	7,00	12.000	42.000
2005	6,97	0	9.000
2006	8,80	0	247.000
		15.000	301.000

Development during the fiscal year

The following table indicates the number, weighted average exercise prices (GDAP) and development of the stock options and convertible bonds over the course of the fiscal year.

	2007		2006	
	Number	GDAP EUR	Number	GDAP EUR
Outstanding at the beginning of the reporting period	459.000	8,05	374.506	6,44
Issued in the reporting period	-	-	300.000	8,80
Exercised in the reporting period	75.000	6,27	81.000	5,61
Expired in the reporting period	83.000	8,14	134.506	10,69
Outstanding at the end of the reporting period	301.000	8,47	459.000	8,05
Exercisable at the end of the reporting period	15.000	6,78	51.000	5,93

13. Minority interests

The minority interests refer to a holding of 45.9% in REALTECH Japan Co., Ltd., Tokyo, Japan, which was founded in collaboration with Nihon Unisys and Microsoft Japan in 2002 and has been fully consolidated since January 1, 2005.



14. Income taxes

The income taxes item shown in the income statement concerns the following:

	2007 TEUR	2006 TEUR
Current tax expense	2.553	1.745
Deferred tax expense (net)	14	435
Tax expense	2.567	2.180

The Group's income taxes are reconciled in the following table. The corporation tax rate to be applied amounts to 25% plus the solidarity surcharge of 5.5%. The Group must also make trade tax payments in the amount of 13.5%. This amounts to an expected income tax liability of 39.9%.

	2007 TEUR	2006 TEUR
Expected tax expense	2.878	1.675
IRAP (Italy)	524	459
Tax rate difference (domestic)	(320)	0
Tax rate difference/measurement differences (abroad)	(515)	46
Tax expense	2.567	2.180

The income tax payable of EUR 1,415 thousand (previous year: EUR 919 thousand) exclusively involve current income taxes payable.

The amount of taxes receivable of EUR 212 thousand (previous year: EUR 206 thousand) represents total current income taxes receivable.

Deferred tax assets and liabilities are offset if they concern the same taxation authority. The tax rate used is 25%. This is made up as follows: 15% corporation tax, 5.5% solidarity surcharge and 9.8% trade tax.

Accordingly, they are shown in the balance sheet as follows:

	31.12.2007 TEUR	31.12.2006 TEUR
Deferred taxes receivable (deferred tax assets)	304	517
Deferred taxes payable (deferred tax liabilities)	518	817

The deferred taxes must be assigned to the various balance sheet items as follows:

	31.12.2007 TEUR	31.12.2006 TEUR
Tax loss carryforwards	0	98
Goodwill	119	304
Other provisions	141	80
Others	44	35
Deferred tax assets	304	517

	31.12.2007 TEUR	31.12.2006 TEUR
Fixed assets	317	502
Securities	192	265
Production orders	9	50
Deferred tax liabilities	518	817

Deferred tax liabilities are essentially based on differences in the measurement of property, plant and equipment, especially in the case of buildings.

15. Other provisions

Other provisions changed as follows in the year under review:

	01.01.2007 TEUR	Usage/ write-back TEUR	Allocation TEUR	31.12.2007 TEUR
Provisions for employees	2.557	1.121	827	2.263
Vacation provisions	1.789	1.103	1.128	1.814
Bonuses and revenue participation	2.919	2.919	3.545	3.545
Legal and consulting charges	230	230	218	218
Outstanding incoming invoices	320	276	198	242
Salaries and severance payments	214	214	184	184
Others	237	127	186	296
	8.266	5.990	6.286	8.562



In accordance with legal regulations, a provision for EUR 1,456 thousand has been established in the provisions for employees (previous year: EUR 1,734 thousand). The provision is measured in the amount of one month's wages per year of employment.

16. Liabilities

The residual terms and collateralization of liabilities can be seen in the following overview:

	Residual term		Total amount 31.12.2007 TEUR	Type of collateralization TEUR	31.12.2006 TEUR
	Up to one year 31.12.2007 TEUR	More than one year 31.12.2007 TEUR			
Trade accounts payable	2,186	-	2,186	Usual retention of title	1,768
Other liabilities	3,554	-	3,554	-	2,145
thereof social security	142	-	142	-	124
	5,740	-	5,740	-	3,913

Other liabilities include value added tax, withholding tax and wage tax liabilities in the amount of EUR 1,373 thousand (previous year: EUR 1,497 thousand).

17. Deferred income

The deferred income essentially involves software maintenance contracts. The average term of contracts is 12 months.

18. Sales revenues

The sales revenues item shows the fees charged to customers for deliveries and services – minus sales deductions and discounts. The breakdown of sales revenues by business areas is determined from segment reporting.

19. Segment reporting

Segment reporting at the REALTECH Group is carried out in accordance with IAS 14. IFRS 8 Segment Reporting is applicable as of January 1, 2009. Segmentation is based on internal Group control and reporting, in accordance with the products and services it offers. These financial statements define the consulting and software business segments as the primary report format for segment reporting.

The figures in the following overviews have been taken from internal reporting, used by the company's essential decision-makers for management purposes.

	Consulting		Software	
	31.12.2007 TEUR	31.12.2006 TEUR	31.12.2007 TEUR	31.12.2006 TEUR
External revenue	49.801	42.948	13.951	11.432
Segment income	3.298	1.770	2.511	1.381
Unallocated expenses and income				
Income from operations				
Interest expense				
Interest				
Income from financial investments and securities				
Current income				
Income before taxes and minority interests				
Income taxes				
Minority interests				
Net income				
Segment assets	22.260	19.050	9.384	8.287
Unallocated corporate assets				
Consolidated assets				
Segment liabilities	13.428	11.158	3.788	2.966
Unallocated corporate liabilities				
Consolidated liabilities				
Investments	861	502	243	133
Depreciation	772	1.077	218	286
Non- cash expenses other than depreciation	(87)	378	(25)	100



	Total		Group	
	31.12.2007 TEUR	31.12.2006 TEUR	31.12.2007 TEUR	31.12.2006 TEUR
	63.752	54.380	63.752	54.380
	5.809	3.151	5.809	3.151
			801	580
			6.610	3.731
			6	7
			656	464
			51	102
			(98)	(91)
			7.213	4.199
			2.567	2.180
			94	117
			4.552	1.902
	31.644	27.337	31.644	27.337
			32.713	32.783
			64.357	60.120
	17.216	14.124	17.216	14.124
			518	817
			17.734	14.941
	1.104	635	1.104	635
	990	1.363	990	1.363
	(112)	478	(112)	478

	External revenue		Carrying amount segment assets		Investments in intangible assets and property, plant and equipment	
	2007 TEUR	2006 TEUR	31.12.2007 TEUR	31.12.2006 TEUR	31.12.2007 TEUR	31.12.2006 TEUR
Germany	27.038	23.079	42.419	43.107	790	349
Rest of Europe	25.916	22.263	16.802	12.808	289	230
USA	3.232	3.389	1.223	1.173	20	24
Asia-Pacific	7.566	5.649	3.913	3.032	5	32
	63.752	54.380	64.357	60.120	1.104	635

● **20. Other operating expenses**

This item essentially contains expenses for rent and leasing.

● **21. Other operating income**

The other operating income particularly involves rental income.

● **22. Net interest**

Net interest essentially consists of interest income for fixed-term deposits and interest-bearing securities. Interest income amounted to EUR 656 thousand. Interest expense was EUR 6 thousand.

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● **23. Consolidated statements of cash flows**

The statements of cash flows is prepared in accordance with IAS 7 and, separated into cash inflows and outflows, shows the development of cash flows generated from operating, investing and financing activities. The cash flow is determined, using the indirect method, from the consolidated financial statements of REALTECH AG.

The cash involved in the statements of cash flows comprises all cash and cash equivalents presented in the balance sheet, i.e. cash in hand, checks and bank balances (provided they are available within three months). The cash is not subject to any restrictions.



24. Earnings per share

According to IAS 33, earnings per share are determined from the consolidated earnings after tax and the average number of outstanding shares during the year. Convertible bond programs in 2002 to 2006 gave rise to the following dilution effects:

	31.12.2007	31.12.2006
Net income	4.552.240 EUR	1.902.409 EUR
Average number of shares outstanding – basic	5.248.452 Shares	5.173.452 Shares
Average number of shares outstanding – diluted	5.549.452 Shares	5.632.452 Shares
Earnings per share – basic	0,87 EUR	0,37 EUR
Earnings per share – diluted	0,82 EUR	0,34 EUR



The dilution effect results from the conversion rights for bonds.

25. Other financial obligations

Other financial obligations from rent and leasing agreements amount to EUR 13,478 thousand (previous year: EUR 12,851 thousand). These are presented in the following overview:

	TEUR
2008	2.990
2009	2.456
2010	1.852
2011	1.631
2012	1.572
2013 and following years	2.977
	13.478

Rental and leasing expenses were EUR 1,771 thousand in the year under review (previous year: EUR 1,815 thousand). Please refer to point 27, Special-purpose entity.



26. Financial instruments

Assets by class

Financial assets consist of the following classes:

	31.12.2007			31.12.2006		
	Current TEUR	Non-current TEUR	Total TEUR	Current TEUR	Non-current TEUR	Total TEUR
Assets available for sale	18.180	0	18.180	15.024	0	15.024
thereof outside capital	18.180	0	18.180	15.024	0	15.024
Other financial assets (at amortized cost)	31.672	85	31.757	30.791	88	30.879
	49.852	85	49.937	45.815	88	45.903

Financial assets are defined as being current if they have a residual term of up to one year.

Carrying amounts and fair values

The following table presents the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price at which a party would take on the rights and/or obligations involved in the financial instrument from an independent second party. In view of varying influencing factors, the fair values presented should only be viewed as an indication of the values that could actually be realized on the market.

	31.12.2007		31.12.2006	
	Carrying amount TEUR	Fair value TEUR	Carrying amount TEUR	Fair value TEUR
Non-current-asset securities	33	33	35	35
Loans	52	52	53	53
Trade receivables	21.159	21.159	17.331	17.331
Other receivables and other assets	627	627	487	487
Current-assets securities	18.180	18.180	15.024	15.024
Cash and cash equivalents	9.886	9.886	12.973	12.973
	49.937	49.937	45.903	45.903



	31.12.2007		31.12.2006	
	Carrying amount TEUR	Fair value TEUR	Carrying amount TEUR	Fair value TEUR
Trade accounts payable	2.186	2.186	1.768	1.768
Other liabilities	2.181	2.181	648	648
	4.367	4.367	2.416	2.416

No restructuring took place in fiscal year 2007. No securities were surrendered from the above assets. The fair value was determined using balance notifications from banks. The transmitted data represents the value that can be realized on the balance sheet date.

Specification of financial instruments by IAS 39 measurement categories

	31.12.2007 TEUR	31.12.2006 TEUR
Financial instruments measured at amortized cost		
Non-current-asset securities	33	35
Loans	52	53
Trade receivables	21.159	17.331
Other receivables and other assets	627	487
Cash and cash equivalents	9.886	12.973
	31.757	30.879
Assets available for sale		
Current-asset securities	18.180	15.024

Excess funds are invested in part in interest-bearing securities, quoted in euros, with short-term or medium-term residual terms or in mutual funds that invest in such assets. The Group has therefore classified these securities as available for sale. These items are measured on the balance sheet date at market value, with value changes being offset against equity with no effect on profit or loss. In the year under review, these amounted to EUR 142 thousand (previous year: EUR 205 thousand). There are no trading securities.

	31.12.2007 TEUR	31.12.2006 TEUR
Financial liabilities measured at cost		
Trade accounts payable	2.186	1.768
Other liabilities	2.181	648
	4.367	2.416

Net profits or losses

The following table presents the net profits and losses arising from financial instruments included in the income statement:

	2007 TEUR	2006 TEUR
Expenses/(income) from allowances for receivables	193	(288)
Interest income	655	464
Interest expenses	6	7

Financial and currency risks

Since January 1, 1999, the euro has been REALTECH's balance sheet and Group currency. The company processes a comparatively small proportion of its transactions in other currencies, meaning that the periodic fluctuations of individual currencies may have an effect on REALTECH's sales revenues and earnings. Appreciation of the euro in respect to other currencies generally has a negative effect, while depreciation of the euro has a positive effect. However, the company estimates these risks to be low and easy to calculate. REALTECH continually monitors potential currency fluctuation risks on the basis of balance sheet items and expected cash flows, and deals with these risks by means of targeted exchange rate management. Other financial risks are averted by a credit management system, as well as by stringent receivables management and checks on creditworthiness.

As a proportion of revenue, 83% the Group's business activities are in the euro region (previous year: 83%). Changes in exchange rates for the other Group currencies (USD, NZD, SGD and JPY) would therefore only have a minor effect on the Group's financial situation.



Credit risks

Trade receivables have the following age structure:

	31.12.2007 TEUR	31.12.2006 TEUR
Total	21.159	17.331
not yet due to overdue	19.266	16.650
90 to 179 days	2.344	1.207
180 to 360 days	189	(79)
Specific allowance for bad debts	553	376
General allowance for bad debts	87	71

The value of the specific allowance for bad debts is established based on the assessment of the individual risk for each individual receivable. The general allowance for bad debts is calculated based on the respective national tax regulations within the Group.

Liquidity risks

Presentation based on the due date (liquidity date) of the individual financial liability items:

	Residual term			
	31.12.2007		31.12.2006	
	Up to 1 year TEUR	More than 1 year TEUR	Up to 1 year TEUR	More than 1 year TEUR
Trade accounts payable	2.186	o	1.768	o
Other liabilities	2.181	o	648	o
	4.367	o	2.416	o

Derivative financial instruments

The company does not have any derivative financial instruments.

● 27. Special-purpose entity

The second part of REALTECH's administrative building in Walldorf, the property in Industriestrasse 41, was constructed by PUDU Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Walldorf KG, Düsseldorf. As part of a property leasing agreement, REALTECH has rented the building for a period of 15 years. The rental period began on June 1, 2002. The company has a right to acquire the building. PUDU Grundstücks-Vermietungsgesellschaft is a special-purpose entity as defined by SIC 12.

As a result of applying the interpretation to this company, the REALTECH Group is not considered to be the company's primary beneficiary. The Group's obligations in connection with the leasing agreement are part of the minimum rent payments from leasing agreements listed under "Other financial obligations". As at December 31, 2007 these amounted to EUR 6,332 thousand up to the end of the term of the agreement. No other obligations or risks of loss resulted from the leasing agreement with PUDU Grundstücks-Vermietungsgesellschaft.

● 28. Bodies of the company

Supervisory Board

Daniele Di Croce (Chairman), since May 22, 2007
Management consultant

Peter Stier (Deputy Chairman), since May 22, 2007
Entrepreneur

Rainer Schmidt, since May 22, 2007
Entrepreneur

Resigned from the Supervisory Board:

Dieter Matheis (Chairman), on May 22, 2007
Management consultant
Supervisory Board (Chairman) of SAPERION AG, Berlin
Supervisory Board (Chairman) of SNP Schneider-Neureither & Partner AG, Heidelberg
Supervisory Board of Heiler Software AG, Stuttgart

Richard Roy (Deputy Chairman), on May 22, 2007
Management consultant
Vice President of the Supervisory Board of Swisscom AG, Bern/Switzerland
Supervisory Board (Chairman) of Balda AG, Bad Oeynhausen



Supervisory Board (Deputy Chairman) of Premiere AG, Unterföhring
Supervisory Board of Update AG, Vienna/Austria

Norbert Schwerber, on May 22, 2007

Auditor and tax advisor

Supervisory Board (Chairman) of Nieding + Barth Rechtsanwaltsaktiengesellschaft, Frankfurt
Supervisory Board (Chairman) of VEDACON AG, Montabaur
Supervisory Board (Chairman) of Systaic AG, Büttelborn
Supervisory Board of b.is börsen-informations-systeme AG, Rimpar
Supervisory Board of Cosmetic Service AG, Eppertshausen
Supervisory Board of Zoffel/Steiger/Holding AG, Wiesbaden



Executive Board

Nicola Glowinski (Chairman)

Dr. Rudolf Caspary (Technology)

Resigned from the Executive Board:

Jürgen Zahn (Finance), on January 31, 2007

29. Remuneration of the Executive and Supervisory Boards

Remuneration received by the Executive Board in fiscal year 2007 totaled EUR 1,502 thousand (compared to EUR 1,852 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 462 thousand (previous year: EUR 525 thousand), while variable remuneration totaled EUR 933 thousand (previous year: EUR 1,069 thousand) and share-based remuneration was EUR 107 thousand (previous year: EUR 258 thousand). No options were granted in fiscal year 2007 (previous year: 150,000 options at an exercise price of EUR 8.80). In accordance with the decision of the General Meeting on May 16, 2006, this remuneration is not specified separately for the various individuals (Section 286, paragraph 5 of the German Commercial Code).

Remuneration received by the Supervisory Board in fiscal year 2007 totaled EUR 124 thousand (previous year: EUR 138 thousand). The fixed portion was EUR 45 (previous year: EUR 70 thousand), while variable remuneration (including attendance fees and travel expenses) amounted to EUR 79 thousand (previous year: EUR 68 thousand).





30. Directors' dealings

Changes in numbers of REALTECH shares held by members of the Executive Board of REALTECH AG in fiscal year 2007 can be seen in the following table:

	Dr. Rudolf Caspary	Nicola Glowinski	Jürgen Zahn
On 01.01.2007	15.000	22.000	o
Additions	14.000	15.000	o
Disposals	o	o	o
On 31.12.2007	29.000	37.000	o

Changes in numbers of REALTECH convertible bonds held by members of the Executive Board of REALTECH AG in fiscal year 2007 can be seen in the following table:

	Dr. Rudolf Caspary	Nicola Glowinski	Jürgen Zahn
On 01.01.2007	61.000	103.000	70.000
Additions	o	o	o
Disposals	12.000	15.000	70.000
On 31.12.2007	49.000	88.000	o

Changes in numbers of REALTECH shares held by members of the Supervisory Board of REALTECH AG in fiscal year 2007 can be seen in the following table:

	Daniele Di Croce	Rainer Schmidt	Peter Stier
On 01.01.2007	885.500	765.500	745.500
Additions	o	o	o
Disposals	o	o	o
On 31.12.2007	885.500	765.500	745.500

As in the previous year, the members of the Supervisory Board did not hold any REALTECH convertible bonds in fiscal year 2007.





31. Related party disclosures

According to IAS 24, individuals or companies which control the REALTECH Group or are controlled by the Group must be disclosed if they are not already included in REALTECH AG's consolidated financial statements as a consolidated company. Control is considered to exist if a shareholder holds more than half of voting rights in REALTECH AG or if, in accordance with provisions in the Articles of Association or contractual agreements, is able to steer the financial and business policies of REALTECH AG's management.

In addition, the disclosure obligation according to IAS 24 covers transactions with associates and with individuals who exercise a significant influence over the financial and operational decisions of the REALTECH Group, including close family members and intermediary companies.

Here, a significant influence over the financial and business policies of the REALTECH Group may be based on an interest in REALTECH AG of 20% or more, a place on the Supervisory Board or Executive Board of REALTECH AG, or some other key management position.

In fiscal year 2007, no companies of the REALTECH Group performed transactions that require reporting with members of the Supervisory or Executive Boards (see 28. and 29.) of REALTECH AG or with other members of management in key positions or companies in which these individuals are represented on management or supervisory committees. This is also true of the close family of this group of individuals.

32. Employees

The REALTECH Group counted a total of 629 employees on December 31, 2007, while the figure on December 31, 2006 was 571. As an annual average, the company employed 603 people in 2007, and 555 the previous year.

33. Auditor fees in accordance with Section 314 paragraph 1 no. 9 of the German Commercial Code (Handelsgesetzbuch, HGB)

In the year under review, Grant Thornton GmbH received remuneration of EUR 64 thousand (previous year: EUR 57 thousand), solely for auditing. This has been presented as expense. No other services were provided.

34. Data in accordance with Section 160 paragraph 1 no. 8 of the Stock Corporation Act (Aktiengesetz, AktG)

No reports on the existence of interests were submitted to REALTECH AG in fiscal year 2007.



● **35. Declaration with respect to the German Corporate Governance Code in accordance with Section 161 of the Stock Corporation Act**

On December 11, 2007 the Executive and Supervisory Boards submitted their sixth compliance declaration in accordance with Section 161 of the Stock Corporation Act and made it permanently available to shareholders on the company's Web site.

RESPOSIBILITY STATEMENT

Affirmation of the legal representatives:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

Walldorf, February 15, 2008

REALTECH AG

The Executive Board



● Auditors' Opinion

Unqualified Auditors' Opinion on Statutory Audits of Consolidated Financial Statements Prepared Pursuant to Section 315a HGB (German Commercial Code) that Comply with Full IFRS

We have audited the consolidated financial statements prepared by the REALTECH AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, Paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a, Paragraph 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) and full IFRS and give the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Heidelberg, February 15, 2008

Grant Thornton GmbH
Wirtschaftsprüfungsgesellschaft

Wettig
Wirtschaftsprüfer

Gerstlauer
Wirtschaftsprüfer



REALTECH AG

Balance Sheets

ASSETS	31.12.2007 EUR	31.12.2006 EUR
Fixed assets		
Intangible assets		
Concessions, industrial rights and similar rights and assets	202.105,00	45.626,00
Tangible assets		
Other equipment and office equipment	10.118,00	17.458,00
Financial assets		
Investments in affiliated companies	27.570.041,72	27.570.041,72
Loans to affiliated companies	4.515.000,00	2.915.000,00
Current assets		
Receivables and other assets		
Receivables due from related parties	13.333.522,82	13.783.612,22
Other assets	53.524,08	11.540,86
Securities	17.554.608,65	14.553.547,00
Cash and cash equivalents	4.889.287,09	9.145.546,36
Prepaid expenses	52.600,68	27.761,98
Total assets	68.180.808,04	68.070.134,14

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity		
Subscribed capital (authorized capital EUR 301.000,00; py: EUR 2.495.837,02)	5.248.452,00	6.570.284,04
Additional paid-in-capital	56.347.577,69	55.966.297,69
Retained earnings	3.089.379,56	3.177.137,26
Provisions		
Income tax payable	451.673,13	209.356,10
Other provisions	690.223,00	1.135.553,00
Liabilities		
Convertible bonds	3.010,00	4.590,00
Trade accounts payable	11.689,67	35.619,32
Accounts payable to affiliated companies	400.687,54	458.696,75
Other liabilities	1.938.115,45	512.599,98
Total shareholders' equity and liabilities	68.180.808,04	68.070.134,14



Statements of Income

	2007 EUR	2006 EUR
Other operating income	144.850,28	196.368,31
Personnel expenses		
a) Wages and salaries	2.121.514,18	2.246.996,79
b) Social security and retirement costs	171.274,11	179.047,51
Depreciation of intangible and fixed assets	48.033,44	31.069,10
Other operating expenses	1.120.173,45	1.325.677,47
Income from investments	6.464.562,85	5.354.000,71
Income from the transfer of profits	0,00	1.150.000,00
Expenses due to the transfer of losses	1.100,92	891,63
Interest income	740.777,59	564.447,94
Depreciation of financial assets and current securities	0,00	4.394,78
Interest expenses	9.253,88	9.397,43
Income from ordinary activities	3.878.840,74	3.467.342,25
Income taxes	1.353.894,24	830.446,90
Other taxes	478,19	40,68
Net income	2.524.468,31	2.636.854,67
Accumulated profit carried forward	564.911,25	540.282,59
Retained earnings	3.089.379,56	3.177.137,26

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• Financial Calendar 2008

May 7

Quarterly Report 1/2008

May 29

General Meeting,
Palatin, Wiesloch, 10.00 a.m.

August 7

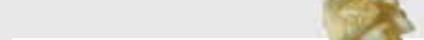
Quarterly Report 2/2008

November 6

Quarterly Report 3/2008

November 10 - 12

Deutsches Eigenkapitalforum,
Frankfurt





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The annual report 2005 is also available in German.

You can view and download the annual reports and the quarterly reports in the internet:

<http://www.realtech.com/investors>

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