ANNUAL REPORT

2010

REALTECH

AT A GLANCE

	2010 EUR	Δ %	2009 EUR	2010* EUR	2009* EUR	2008* EUR
Revenue and income						
Revenue	52.519	8	48.703	62.993	61.675	70.823
Revenue consulting	38.811	5	37.014	48.801	49.530	54.050
Revenue software	13.708	17	11.689	14.192	12.145	16.773
Revenue Germany	27.687	9	25.419	27.687	25.419	30.413
Revenue foreign countries	24.832	7	23.284	35.306	36.256	40.410
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6.692	81	3.704	4.071	3.711	8.039
Earnings before interest and taxes (EBIT)	4.365	70	2.571	3.037	2.578	7.026
Earnings before taxes (EBT)	4.507	83	2.461	2.266	2.428	8.497
Profit for the year	(1.454)	(220)	1.203	1.407	1.203	5.703
Earnings per share (in EUR)	(0,27)	(220)	0,23	0,26	0,23	1.09
Investments and depreciation						
Investments in intangible and tangible assets	838	(50)	1.680	911	1.680	811
Depreciation	2.327	105	1.133	1.034	1.133	1.013
Assets, equity and liabilities (end of year)						
Total assets	42.330	2	41.355			46.477
Non-current assets	14.948	4	14.316			14.229
Current assets	27.382	1	27.038			32.248
Net cash and cash equivalents	6.361	(13)	7.304			6.436
Equity	25.251	(12)	28.566			29.226
Equity ratio (in %)	59,7	(14)	69,1			62,9
Return on equity (in %)	(5,1)	(224)	4,1			20,3
Non-current liabilities	387	(13)	445			481
Current liabilities	16.692	35	12.405			16.771
Key figures						
Gross margin (in %)	38,9	1	38,7	33,9	33,8	38,0
EBITDA margin (in %)	12,7	68	7,6	6,5	6,0	11,4
EBIT margin (in %)	8,3	57	5,3	4,8	4,2	9,9
Cash flow from operating activities	2.302	(54)	5.051		5.109	3.314
Cash flow from investing activities	(879)	(52)	(577)		(622)	15.668
Cash flow from financing activities	(2.367)	5	(2.487)		(2.500)	(23.551)
Employees (end of year)	**506**	**1**	**500**	**676**	**665**	**721**

* Including figures of REALTECH Italia S. p. A

REALTECH AG'S SUCCESS

"REALTECH helps companies to design their IT of the future. Consultants work together with customers to reduce the downtime of their systems and increase the company's added value through the use of IT. With two complementary business areas for strategic IT consulting and software products for business service management, REALTECH supports companies of all sizes along the value chain. IT solutions are thus a decisive competitive factor for multinational organizations."

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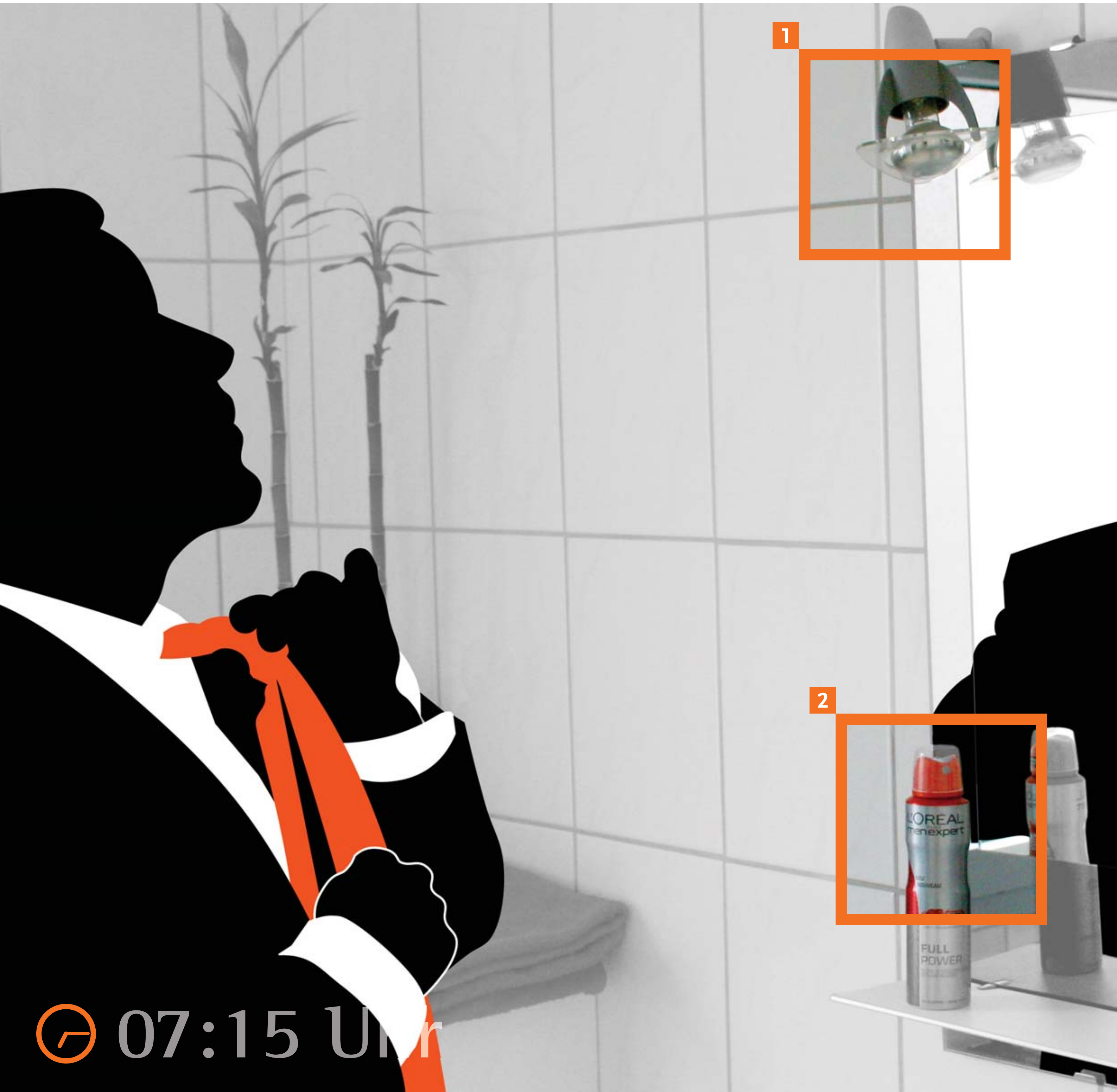


1

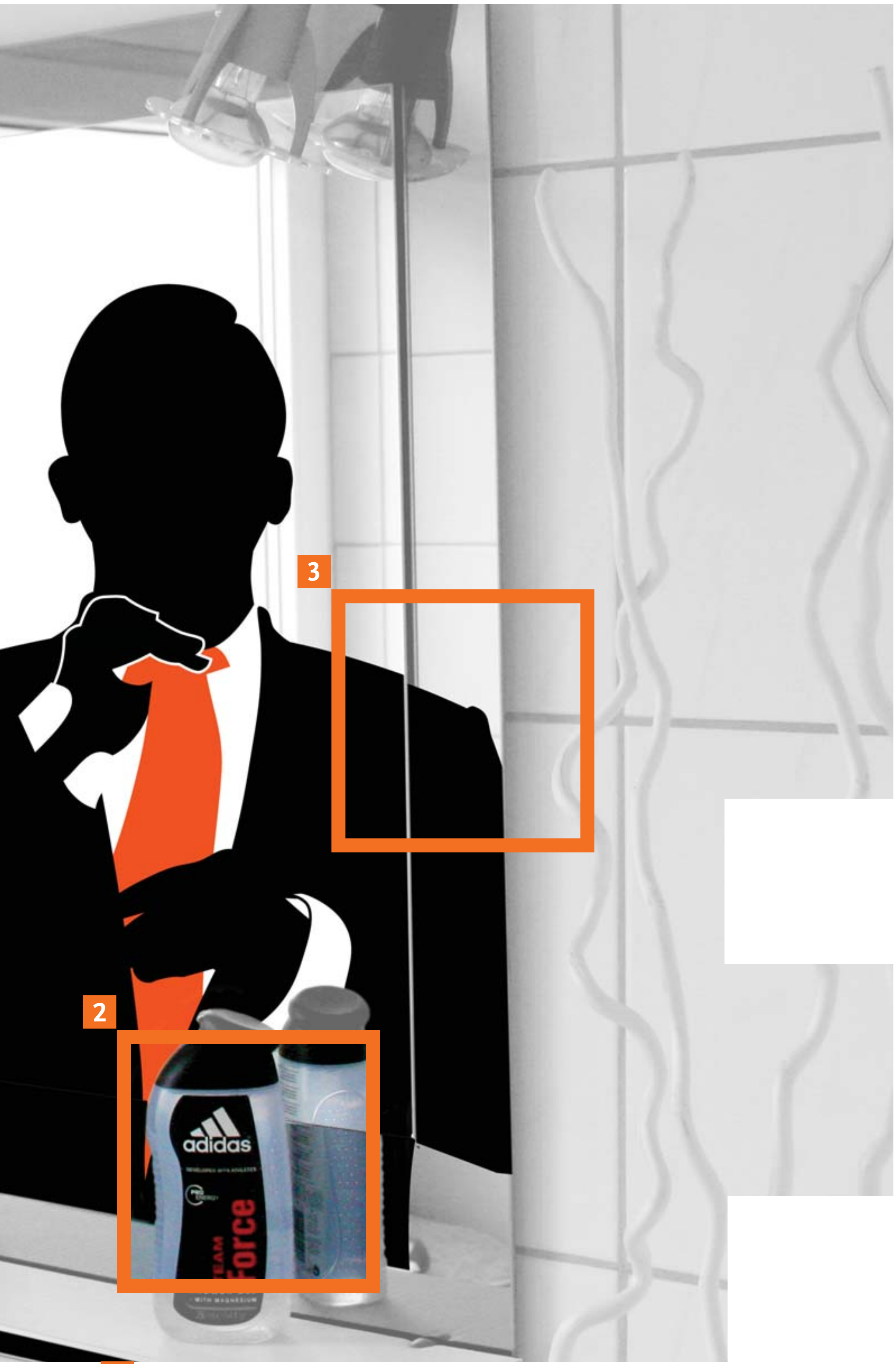
OSRAM

OSRAM light shines in 150 countries worldwide. To monitor availability of system landscapes and critical business processes, OSRAM uses theGuard! NetworkManager as well as the Service Management Center from theGuard! suite.

2

dm-drogeriemarkt

dm-drogerie markt, Europe's leading drugstore chain, monitors its extensive retailing system for around 1,650 stores, three national logistics centers as well as the central SAP R/3 and Data Warehouse system using the REALTECH's theGuard! system management solution.



3

HUGO BOSS

Consulting services provided by REAL-TECH AG provided very elegant solutions for integrating the user management of all systems deployed, which was a key challenge for Hugo Boss.

REPORT OF THE EXECUTIVE BOARD

Dr. Rudolf Caspary (Chief Technology Officer) Nicola Glowinski (Chief Executive Officer) Thomas Mayerbacher (Chief Financial Officer)

DEAR SHAREHOLDERS AND BUSINESS PARTNERS,

Economic developments in the 2009 fiscal year also shaped the past fiscal year (2010). In 2009, the world experienced the worst economic crisis in 70 years. The main priority for the Executive Board in all its decisions was therefore to safeguard REALTECH's cost effectiveness. When compared with 2009, the 2010 fiscal year was a successful, yet difficult, year for us. Nevertheless, we were able to achieve our economic goals.

Although customers invested more than in 2009, investments were only made selectively in very specific IT topics. In some cases, planned projects were postponed or even cancelled. After a slow start to 2010, we increased our orders over the course of the year. An example of the positive development is the extended partnership with SAP AG in connection with our software solution theGuard!. However, revenues at our subsidiaries in Spain, and particularly in Italy, did not grow as planned.

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Thanks to the high level of commitment demonstrated by our employees, REALTECH met, and in some cases even exceeded, the business development forecast in early 2010. The fourth quarter of 2010 was particularly pleasing due to global software sales, which meant that the year as a whole ended on a positive note.

Let us take a look at the key figures of the past fiscal year: REALTECH increased its revenue by 8 percent to EUR 52.5 million. The consulting and software business areas both contributed to this success. Consulting revenue grew by 5 percent to EUR 38.8 million and software revenue by 17 percent to EUR 13.7 million. Net income from operations (EBIT) improved in the year under review by 74 percent to EUR 4.5 million. The sale of REALTECH Italia, which took place in December 2010, has been deducted in the figures for the 2010 and 2009 fiscal years. This international subsidiary is shown in the consolidated financial statements as "Discontinued Operations".

In the year under review, REALTECH clearly benefited from targeted cost-cutting measures which we additionally introduced in 2009. As far back as 2004, the Executive Board began to focus more heavily on economic factors and to introduce strict cost management at all Group levels – yet without neglecting sensible, future-oriented investments. For example, since then we have continued the scheduled training and professional development program for our employees and invested in the development of new consulting skills and software products. These early decisions were important for our economic success in 2010. The decisions, combined with economic recovery, make us optimistic that REALTECH will pursue a positive path in the coming years.

Different developments worldwide

As in the previous year, REALTECH recorded its main revenue in 2010 in the European region. While we were able to improve revenue and income in Germany, revenues, and particularly income, declined sharply in Italy. In Spain, the REALTECH international subsidiary coped well with the decline in the economy due to its good performance, but revenues and income fell here too. In contrast, REALTECH Portugal and the Asia-Pacific region (Japan, Singapore, and New Zealand) increased revenue, and even did so profitably. REALTECH USA increased its revenues and income, particularly in product business.

Due to the different economic developments and maturity of IT, our markets in early 2011 are going in very different directions. In the SAP area, software systems for business intelligence are in particular demand worldwide, as before. The past has shown that we operate in the right market segments with our consulting services. We were also able to adapt our range of services and cost structures in good time. In the case of REALTECH Italia, however, the Executive Board no longer saw any opportunity in the medium term to achieve profitability goals and therefore sold its 100 percent interest to the local management at the end of 2010. As part of this deal, we ensured that our ability to deliver both products and services was guaranteed by long-term contracts.

Market trends and portfolio

The partial improvement in the economic situation is encouraging our customers to make new IT investments. Investments include new applications which help businesses to keep better pace with their competitors. Other funds are being invested to retain and update existing solutions and systems. The REALTECH experts from the consulting business area advise their customers regarding all technological topics and questions that directly influence the business development of the company. This includes business intelligence, mentioned previously, which management can use to make strategic decisions based on current data. In addition, we are known for providing our customers with reliable help when they update their systems, switch to other platforms or introduce new operating concepts. As IT is constantly developing, we continually invest in the professional development of our consultants. The high level of technical qualifications of REALTECH consultants is best demonstrated by the constantly growing number of certifications and partnerships, particularly in the SAP area, and the many successful projects that we implement together with our customers.

The primary factor that sets REALTECH apart from the competition is its combination of technical IT knowledge, SAP expertise and skills in the organizational and process consulting business. This is why we are an established player in the IT market and are being involved more and more in major projects of strategic relevance.

Our second core area is developing software for intelligent and automated operation of IT systems and networks. In 2010, we were again able to win new customers worldwide for our theGuard! product family, and major customers such as the German Federal Armed Forces have extended their commitment. We are particularly pleased about two new, special partnerships with our neighbors in Walldorf: SAP is integrating selected theGuard! components into its own products. And for its future-oriented solution for medium-sized companies, SAP Business ByDesign, SAP relies on theGuard! for Service Impact Management, i.e. fault management in IT operations. These close links with SAP are a lasting testament to the quality of our software products and confirm that the investments made in this area over several years were well-advised.

In 2010, our engineers again considerably enhanced theGuard! software so that we can continue to compete in the future. At the same time we have also begun to invest in our new partnerships with SAP. We will strengthen these activities further in 2011: REALTECH plans to make a multi-million investment in the research and development area and further extend sales and marketing activities. We therefore anticipate a significant rise in revenue by as early as 2012.

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Our targets

General economic growth is expected to slow again worldwide in 2011; however, the outlook for the IT industry is comparatively robust. With its strong exports, Germany represents a growth driver in the global economy. Other countries have their own individual challenges: high government debt, public spending cuts and low export quotas, in some cases combined with a poor domestic economy, impact on producers and consumers equally – and ultimately also the IT budgets of our customers.

The coming years, and particularly the current year, therefore represent a major challenge for us in many ways, although the 2011 fiscal year will be shaped largely by investments. We must design and develop new products and services for our customers and partners: strategically the software area is focused on the extended development and sales partnerships with SAP and plans to expand into new markets and regions, which will require new efforts and additional funding. At the same time, the consulting area will focus more heavily on topics that support the planned expansion.

The primary aim for REALTECH in 2011 is profitable growth in all of the international subsidiaries and in all areas. We intend to build on this growth significantly in the years to come. We have intentionally decided against a concrete income and revenue forecast at this time. The uncertain situation surrounding the global economy, as well as scheduled internal restructuring as part of internal expansion, do not allow for a reliable forecast of business income. For this reason, the Executive Board is not able to propose a dividend at the General Meeting.

We plan to align our company consistently with economically successful regions. Our international presence and the relevant key issues will focus even more strongly on this criterion in the future. IT is a very dynamic business field, requiring correct but also quick decisions. It is also important to identify new market opportunities early and to utilize them consistently. As the Executive Board, this is what we, together with our committed employees, stand for.

REALTECH regained momentum in 2010 and took a big step in the right direction. We achieved our economic goals and extended our market position in many new fields of business. Credit is due to all those involved: customers, partners, employees, the Supervisory Board and shareholders contributed to this. We would like to thank you all.

Best regards,
The Executive Board

1

MERCK

Installation of theGuard! NetworkManager, theGuard! ApplicationManager and theGuard! ServiceCenter was successfully completed at MERCK in just 21 days. Eleven employees in IT Support use these products to manage a system landscape with more than 1,000 users at nine sites.

2

Nordzucker

Together with REALTECH, the food producer Nordzucker changed its agricultural portal from SAP Enterprise Portal 5.0 to SAP NetWeaver Enterprise Portal. In doing so, it was crucial to safeguard the performance of the portal application, even with a very high number of Internet hits.

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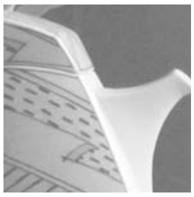

3

B/S/H/

B/S/H

Thanks to continuous growth, BSH Bosch and Siemens Hausgeräte GmbH (Siemens Home Appliances), a joint venture between Robert Bosch GmbH and Siemens AG, the system architecture needed to be adapted strategically to the business processes. By installing theGuard! ApplicationManager, BSH gained a clear and straightforward display of system availability, high-quality event monitoring and targeted error-analysis.

REPORT OF THE SUPERVISORY BOARD

Rainer Schmidt | Daniele Di Croce (Chairman) | Peter Stier

DEAR SHAREHOLDERS,

The following report provides information in accordance with Section 171, paragraph 2 of the German Stock Corporation Act regarding the activities of the Supervisory Board in the 2010 fiscal year and the audit results for the 2010 annual and consolidated financial statements. Our meetings and consultations with the Executive Board focused primarily on the effects of the economic and financial crisis on the REALTECH Group's business situation. Medium-term planning was also discussed, among other topics.

Ongoing, constructive dialog with the Executive Board

In the 2010 fiscal year, the Supervisory Board diligently met its supervisory and advisory obligations arising from legislation, the Articles of Association and rules of procedure. Impending topics were discussed in the meetings and decisions were reached regarding business that required approval. The members of the Supervisory Board advised the Executive Board continually on governing the company and monitored the company's management. The Supervisory Board was involved in all decisions of fundamental importance appropriately and within good time. The Executive Board provided regular, up-to-date, extensive reports on business performance, the situation with regard to income and finance, the employment situation as well as planning and the ongoing

development of the company. In view of the continuing global economic and financial crisis affecting some REALTECH markets, the consultations always included the risk situation and risk management. The Executive Board explained deviations from the projected business performance for the individual business areas to the Supervisory Board in detail and demonstrated possible courses of action. The Supervisory Board concentrated particularly on the situation of the company's foreign subsidiaries, especially in Italy and Spain, and agreed to the sale of the Italian subsidiary due to its unsatisfactory situation with regard to income.

In preparation for the scheduled meetings, the Supervisory Board received regular written reports from the Executive Board. Following careful examination and consultation, the Supervisory Board made decisions – where appropriate – regarding the reports and the proposed resolutions. More specifically, the Chairman of the Supervisory Board remained in close contact with the Executive Board, including outside of the meetings. Even in between the scheduled meetings, the Executive Board provided the Supervisory Board with extensive information in writing immediately regarding special business transactions that were significantly important for the company.

The "Declaration on the management of the company" section of this management report also reports on the tasks of the Executive and Supervisory Boards.

Corporate Governance

The Supervisory Board focuses regularly on the application and further development of the Corporate Governance rules within the company. Detailed information relating to the Supervisory Board can be found in the Corporate Governance section of the annual report. Last year, the Executive and Supervisory Boards discussed the revised version of the German Corporate Governance Code of May 26, 2010 and passed the 2010 joint declaration of compliance at the meeting on December 14, 2010. This declaration corresponds to the Code with three exceptions. The complete declaration can be found on the REALTECH website under Corporate Governance, as well as on page 60 of the annual report.

No conflicts of interest on the parts of members of the Executive or Supervisory Board, about which the Annual General Meeting would need to be informed, were disclosed to the Supervisory Board in the period under review.

Meetings of the Supervisory Board

In the 2010 fiscal year, the Supervisory and Executive Boards participated in seven meetings in which they intensively discussed the economic situation and the strategic ongoing development of the Group. Representatives of the auditing company elected at the General Meeting were also present at two meetings for part of the time. On account of the fact that the Supervisory Board only consists of three members, there was no need to form a committee.

The Supervisory Board meetings held in the 2010 fiscal year concentrated particularly on the effects of the financial and economic crisis on the development of the REALTECH Group as well as measures to further stabilize the company's performance.

In the meeting in February 2010, the Supervisory Board considered the provisional figures of the fourth quarter of 2009 and the 2009 fiscal year, budget planning for 2010 and the economic development of the subsidiaries, in particular Italy and Spain. In addition, the status of contract negotiations with SAP in relation to a partnership in the area of software was discussed and the future product strategy defined.

The meeting in March focused on the auditor's report regarding the audit of the consolidated and annual financial statements as per December 31, 2009, the outlook for the first quarter of 2010, and the approval of the agenda for the General Meeting in 2010. The 2009 consolidated financial statements and the 2009 annual financial statements were approved and adopted during the Supervisory Board meeting in mid March.

In May, the committee examined topics including the further strategic orientation of the Group in the business area of consulting. In the meeting in June, the future international strategy was discussed and defined on the basis of reports from the subsidiaries. In November, the reports from the subsidiaries as well as the outlook for the 2010 fiscal year were discussed. Other points examined include the future corporate strategy in the consulting and software segments as well as the investments that these require. The Supervisory Board, together with the auditing company, defined the areas on which to concentrate during the audit of consolidated and annual financial statements.

At the last Supervisory Board meeting in December 2010, participants discussed the budget for 2011, corporate planning, goals up until 2013 and details concerning the country and product strategy. In connection to this, the Supervisory Board approved the sale of the Italian subsidiary REALTECH Italia S.p.A., subject to the buyer accepting all components of the contract. Furthermore, the ninth declaration of compliance for the German Corporate Governance Code was passed. The Supervisory Board also agreed the dates for meetings in 2011. Finally, in December 2010, the Supervisory Board appointed Mr. Thomas Mayerbacher as a new member of the Executive Board for the area of finance.

Annual and consolidated financial statements 2010

REALTECH AG's annual financial statements for 2010 and the management report, including accounting, were audited and issued with an unqualified audit opinion by the external auditing company PKF Deutschland GmbH, Hamburg, which was appointed in the General Meeting on May 21, 2010 and engaged as auditor by the Supervisory Board.

The same applies to the consolidated financial statement in accordance with IFRS/IAS. A Group management report was added to this. These consolidated financial statements have been prepared in accordance with IFRS rules and the company is therefore exempt from the obligation to present consolidated financial statements in line with German law, as set out in Section 315a of the German Commercial Code (HGB).

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

On March 22, 2011 the Supervisory Board approved the consolidated financial statements for 2010, the combined management report for 2010, and REALTECH AG's annual financial statements for 2010, and agreed to the Executive Board's proposal for the appropriation of net profits.

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Members of the Executive and Supervisory Boards

In the 2010 fiscal year, the Executive and Supervisory Boards remained unchanged in terms of members. However, the Supervisory Board appointed Mr. Thomas Mayerbacher as a new member to the Executive Board in the area of finance, effective as of January 1, 2011. Mr. Mayerbacher has been employed at REALTECH since 2000, and previously held a management position in which he was responsible for the areas of international controlling and finance.

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

Walldorf, March 2011
The Supervisory Board
Daniele Di Croce
Chairman

1

Konica Minolta

As a technology leader in its industry, Konica-Minolta realized its potential for optimization by integrating theGuard! TransportManager into its SAP software development for a highly integrated and process-oriented solution.

2

Carl Zeiss

Carl Zeiss decided to migrate its SAP R/3 systems in Asia, and REALTECH Japan implemented the switch from UNIX to Microsoft Windows 2000 for the company. REALTECH was responsible for planning, testing, and implementing the migration of two SAP R/3 systems at the Tokyo head office.

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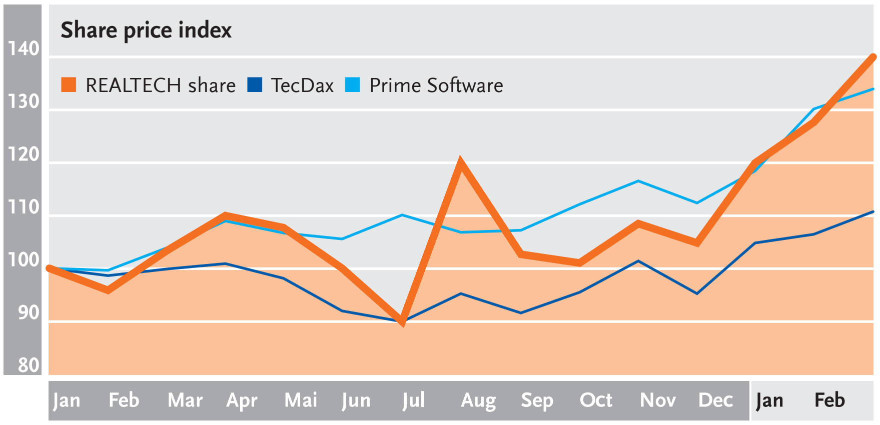
3

STORCK

August Storck KG

The business-critical applications, systems, and networks of AUGUST STORCK KG, the well-known supplier of branded goods, are now even more reliable thanks to rapid implementation of theGuard!.

SHARES



REALTECH's share price rises faster than the DAX and TecDAX

In 2010 REALTECH's share price saw a 20 percent rise and therefore rose more than significant comparable indices. The DAX showed an increase of 16.1 percent when trading closed for the year but the Euro Stoxx 50, which tracks the fifty most important public companies in the eurozone, actually closed 5.8 percent down. Furthermore, the TecDAX, the index for technology stocks on the German Stock Exchange, only managed to add 4.2 percent. In contrast, the MDAX, the market barometer for German second-line shares, closed the year under review 34.9 percent firmer. On the European markets the spectrum ranged from the considerably weaker indices in Greece and Spain to a 3.3 percent drop in the French CAC 40 and a rise of 18.7 percent in the Finnish benchmark index. The most important stock market barometer worldwide, the Dow Jones index, climbed 11 percent.

At the same time, the prices of commodities rose. In 2010 the price of gold rose by 27.7 percent, whereas the price of WTI (West Texas Intermediate) crude oil was up by 15.5 percent. Prices of agricultural commodities and industrial metals also saw

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substantial rises. The euro weakened and at the end of 2010 one euro was only worth 1.34 US dollar, compared to 1.44 US dollar on December 31, 2009.

■ Optimistic forecasts for 2011

The experts are broadly optimistic about the stock market during the current year. A survey of 26 bankers and investment companies by the Frankfurter Allgemeine Zeitung produced a forecast that the DAX would rise by an average of 10 percent to 7,618 points. However, the predictions varied greatly. The pessimists forecast that the index would be 6,200 points on account of the flagging speed of global growth, the smoldering debt crisis in the eurozone and the structural weakness of the US labor market, which would have a negative effect on the market. In contrast, two banks held a particularly positive view and forecast that the DAX would rise by 20 percent to 8,300 points. They explained that, on the one hand, the growth of the world economy in 2011 was underestimated at around 4 percent. Parallel to this, the euro would continue to be weak and this is positive for an exporting nation such as Germany. Additional factors supporting this view are consumption patterns in Germany, the strong labor market and the global presence of the companies. According to the newspaper, on average the analysts are expecting the Euro Stoxx 50 to rise by 8 percent this year and the Dow Jones Index to close 4 percent higher.

REALTECH's share performance and market capitalization
REALTECH's shares started the year under review at EUR 7.51, which was the closing price in 2009. The price then moved downwards so, on February 23, the price stood at EUR 6.61, the lowest price during the first quarter of 2010. REALTECH AG had published its provisional consolidated figures for fiscal year 2009 the day before. The shares rose again over the weeks that followed and ended the quarter at EUR 8.29, its highest level during the first three months of 2010. Shortly afterwards, REALTECH shares attained their highest level during the second quarter of 2010, reaching EUR 8.59 on April 7. On May 22, the day after the General Meeting, the share price fell to EUR 7.26, reflecting the payment of the dividend of EUR 0.50. Following that the price of REALTECH shares fluctuated between EUR 7.72 EUR and EUR 7.02, falling to its lowest price of EUR 6.80 in this three month period on June 30.

At the start of the third quarter the price continued to weaken and it reached the lowest point during the quarter – and the whole year – on July 8 at a price of EUR 6.60. REALTECH shares were again quoted at EUR 8.05 after the publication of the provisional figures for the second quarter on July 22. The upward trend continued until August 2, the date on which the shares achieved a price of EUR 9.00, the highest value during the third quarter. Following this, the share price fell and ended the

Key figures	2010 EUR	2009 EUR
Earnings per share	(0,27)	0,23
Cash flow per share	0,43	0,95
Equity per share	4,72	5,40
Highest share price	9,13	9,14
Lowest share price	6,60	4,06
Share price at year end	9,00	7,51
Market capitalization at year end	48 Mio.	40 Mio.
Number of shares at year end	5.349.152	5.292.452

three month period at EUR 7.72. During the fourth quarter the price continued to rise. REALTECH shares gradually climbed to their highest figure for the year of EUR 9.13 on December 23. REALTECH's shares closed the year at EUR 9.00, up 20 percent compared to the price at the end of 2009.

On December 31, 2010 the company's market capitalization stood at EUR 48 million, which corresponded to 191 percent of book equity.

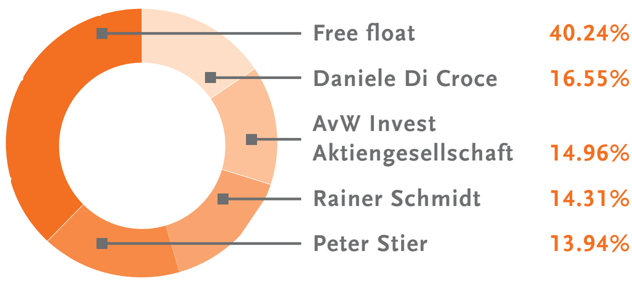
Shareholder structure and trading volume

The shareholder structure of REALTECH AG remained largely constant throughout the year under review. The voting rights of founders and major shareholders did not change. During fiscal year 2010 insolvency proceedings were opened in respect of the fourth major shareholder, AvW Invest Aktiengesellschaft. REALTECH AG's free float increased to 40.24 percent on December 31. 2010 (December 31, 2009: 37.99 percent).

The company's trading volume was again lower over the 2010 year, with the average number of the Group's shares being bought and sold each day down 24 percent from 8,088 shares in 2009 to 6,140 shares in the year under review. As in previous years, the majority of REALTECH shares were traded via the electronic trading platform Xetra. Specifically, this platform accounted for 74 percent (2009: 81 percent), while other stock markets accounted for 26 percent (2009: 19 percent).

General Meeting 2010

The eleventh REALTECH AG General Meeting in Wiesloch on May 21 was attended by a good 200 shareholders and guests, and all resolutions were passed in support of the Board, with just a few votes against and a small number of abstentions. Out of the company's share capital of EUR 5,335,952, EUR 2,584,408 was represented, which is equivalent to 48.43 percent. The General Meeting agreed to REALTECH distributing a dividend of EUR 0.50 per share from the company's net profit. It formally approved the actions of the Executive and Supervisory Boards as well as the system for remunerating Board members. Shareholders also confirmed the appointment of the Hamburg auditors PKF Deutschland GmbH as auditor and Group auditors for the 2010 fiscal year. In the course of further resolutions the shareholders created new authorized capital and authorized REALTECH to acquire and use the company's own stock. In addition to this, the procedure for voting at the General Meeting was made more flexible by amending the Articles of Association.



Shareholder structure (as of 31.12.2010)

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Extensive investor relations activities

During the previous year the Investor Relations unit continued to inform institutional investors, analysts and private shareholders of the company's business development in a timely manner. REALTECH held a road show for institutional investors and analysts in Frankfurt am Main. In addition to this, the Executive Board and Investor Relations Manager held numerous individual discussions with current and potential investors. REALTECH was also present at investor conferences, such as the German Equity Forum, the largest investors' fair in Europe. The key topics covered in communications to the capital markets were the current development of the company and prospects for the whole of 2010. At the end of 2010 REALTECH implemented fundamental changes to modernize its website in order to improve communications with investors. The structure of the website is new and additional operating elements now make the site easier to use.

Dividend payment suspended

Income in fiscal year 2010 was shaped by the sale of REALTECH Italia S. p. A. as well as investments in new products and technologies. The company's net profit in the year under review was EUR 0 thousand, compared to EUR 3,016 thousand in 2009. To compensate for the retained profits brought forward from the previous year and the net loss in excess of this, EUR 2,742 thousand was withdrawn from the paid-in capital. The Executive Board and the Supervisory Board therefore cannot propose a dividend payment in fiscal year 2010 at the General Meeting, which is to take place on May 24, 2011 in Wiesloch.

Outlook

The rise in the share price of 20 percent during 2010 demonstrates REALTECH AG's strong performance. The company has a solid business model, which has now been proven to be successful for 17 years, with a clearly defined range of services and the profitable pillars of consulting and software. REALTECH's leading position in the market and its growth prospects in a leading edge sector continue to make REALTECH shares an interesting option for private and institutional investors.

Basics	
Market segment	Prime Standard
Date of issue	26. April 1999
ISIN	700 890
Exchange ID	RTC
Issue price	54,00 EUR

Shares and stock options of the issuer and members of executive bodies as of 31.12.2010		
Issuer:	REALTECH AG	- treasury stock
Executive Board:	Dr. Rudolf Caspary	34.000 shares 35.000 stock options
	Nicola Glowinski	24.000 shares 70.000 stock options
Supervisory Board:	Daniele Di Croce	885.500 shares
	Rainer Schmidt	765.500 shares
	Peter Stier	745.500 shares

1

InterDiscount

Interdiscount, Switzerland's largest home electronics chain, which has more than 200 stores, was seeking a flexible and low-cost solution for the rapid integration of the POS systems with its SAP solution. The company chose REALTECH IM/3 interface software.

2

PASTAS GALLO

The Spanish pasta manufacturer Pastas Gallo chose to implement theGuard! NetworkManager and theGuard! ServiceDesk and, just weeks later, gained a more stable and transparent IT environment with significantly simplified management.

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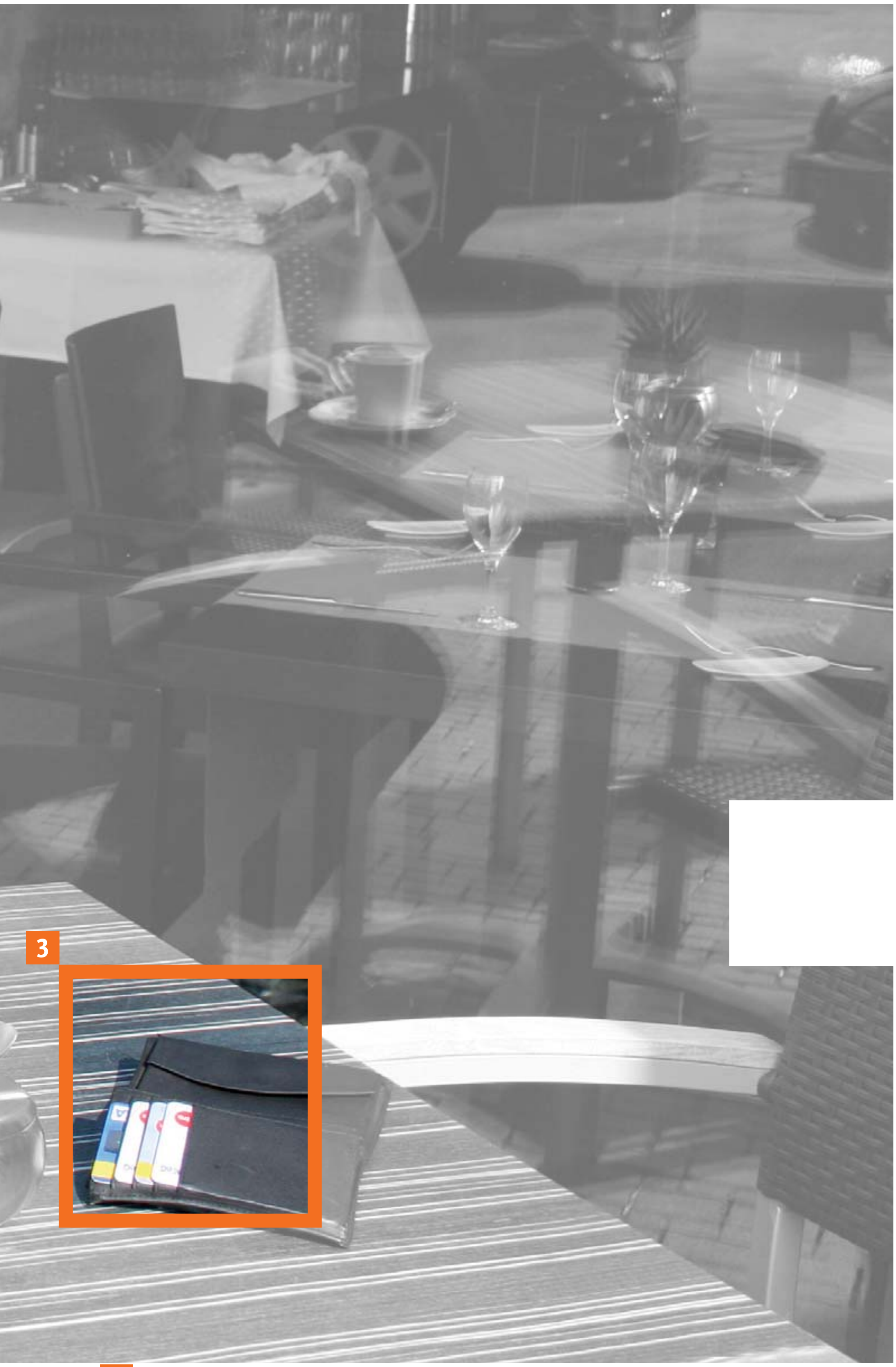

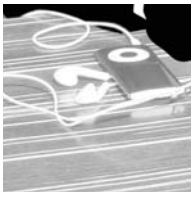

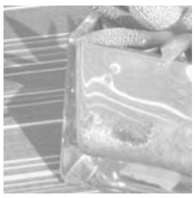

3

3

Gesellschaft für Zahlungssysteme

For GZS, a service company formed from all banking groups which focuses on the business processing of card-based payment systems, REALTECH played a major role in a project to implement a central SAP system for managing contract master data for 350,000 business partners.

END OF YEAR REVIEW

1. QUARTER

Greater efficiency at evo

Oberhausen power supplier evo put its trust in REALTECH‘s expertise when converting its SAP landscape – and this was successful. The new IT architecture has accelerated the response times of critical company applications. At the same time, the costs for IT operation were reduced. REALTECH performed the last stages of the system conversion over a weekend, meaning there was no downtime.

Hexion relies on REALTECH software

An IT manager at Hexion Specialty Chemicals was delighted by how easy REALTECH‘s software products are to use and extremely satisfied with its performance. REALTECH introduced a software application for SAP system management at the world‘s largest producer of industrial adhesive, coating and printing ink resins, as well as optimizing SAP applications.

theGuard! product family continues to grow

REALTECH presented its new theGuard! Service Portal software at the CeBIT computing trade fair. This solution aids the management of IT processes and allows companies to organize their IT-related service processes efficiently. Until now, there was often a lack of suitable software tools in the area of process organization.

New sales partner in Switzerland

In future, Swiss IT service provider GIA Informatik will sell selected REALTECH products on its home market. With REALTECH‘s product portfolio, GIA Informatik will be able to exploit new market opportunities with SAP customers and in the area of infrastructure management.

2. QUARTER

In the finals of the SAP Pinnacle Awards 2010

SAP AG has nominated REALTECH for the new “Run SAP Partner of the Year” category of the SAP Pinnacle Awards. Walldorf-based SAP AG recognizes the extraordinary services of its partners throughout the world with this annual distinction. The SAP Pinnacle Awards are awarded in various categories and are the highest distinctions that an SAP partner can achieve.

Closer to SAP customers

REALTECH presented a new software product – theGuard ChangePilot – at Sapphire Now 2010, SAP‘s largest in-house show. Using the theGuard ChangePilot, SAP customers can make all their changes to SAP solutions in a central location, as well as controlling and monitoring them. In addition, REALTECH showed visitors to the show how the operation of SAP landscapes can be optimally structured.

Shareholder meeting in 2010

The eleventh REALTECH AG regular General Meeting in Wiesloch passed all its resolutions in support of the management with only a few votes against and a small number of abstentions. We are pleased that REALTECH is able to offer its shareholders a dividend of EUR 0.50 per share, even for the difficult year 2009, thanks to its stable situation.

Improved system performance

REALTECH continues to develop its theGuard! product family. The best example for this is the new version of the theGuard Service Management Center, which offers users extensive functions for improving their system‘s performance, as well as innovative reporting and analysis options. Large companies, above all, benefit from this as they are now able to monitor their service and business processes at all their sites even better.

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3. QUARTER

Munich Re's migration partner

Munich RE

Munich Re chose REALTECH as its partner for one of the largest migration projects in Europe. The plan was to convert more than 80 SAP systems to a Linux platform within only 20 months. REALTECH impressed the Munich-based reinsurer with its technical competency, transparent cost structures, successful reference projects and consultants with Linux experience.

Stefan Zahrer, IT project Manager at Munich Re, sums up the project: “With REALTECH, we chose a migration partner with great technical expertise. Thanks to REALTECH's support, Munich Re now has a reliable and cost-effective server infrastructure for business-critical SAP systems with high performance levels.

Award-winning SAP expertise

SAP honored REALTECH for its performance by selecting the company for five “Special Expertise Partnerships” (SEP) simultaneously. The SEP status can be equated with a supplier recommendation from SAP and is intended to demonstrate the partner's expertise. SAP only awards this title to a few carefully chosen companies.

In the top ten at Lünendonk

LÜNENDONK

According to a study by the renowned market researchers at Lünendonk GmbH, REALTECH is among the ten leading medium-sized IT consulting and system integration companies in Germany in terms of revenues. Criteria for participation in the study were that the companies earn more than 60 percent of their revenues with IT consulting, software implementation and development, and system integration, have their headquarters in Germany, are not part of a corporation and generate revenues of no more than EUR 500 million per year.

4. QUARTER

SAP relies on REALTECH product

The next version of the SAP Solution Manager maintenance and administration platform will contain components from the REALTECH theGuard! Product family. This integration allows customers to further automate core IT processes and thus optimize IT operations. The main reasons for SAP's choice were the market penetration of the REALTECH solution in the medium-sized businesses and REALTECH's SAP expertise.

Partnership with FNT extended

FNT Facility Network Technology

REALTECH and the software company FNT GmbH IT Service Solutions have extended their partnership further and combined their system management products. The combination of the two solutions means the entire lifecycle of all IT goods – from cabling to operation – can be mapped comprehensively. REALTECH and FNT are planning further projects to network the two product families in future.

Cover story in IT magazine E3

The specialist magazine E3, which focuses on SAP topics, reportedly extensively on the new partnership between REALTECH and SAP and the integration of theGuard! Components into SAP solutions in its December issue. In a twelve-page article, the editors highlighted the advantages and benefits for companies that use SAP.

Italian subsidiary sold

REALTECH Italy has been sold as part of a management buy-out. The new shareholders have signed a long-term trademark licensing and cooperation agreement with REALTECH so existing contracts with customers can also be fulfilled in future.

1

SIEMENS

SIEMENS

SIEMENS has entrusted REALTECH with ensuring the operation of our system in the SAP Basis area since 1998, as a reliable and experienced partner.
D. Ludwig,
Siemens IT-Solutions and Services

2

DEUTSCHE BÖRSE SYSTEMS

DEUTSCHE BÖRSE

Due to new challenges for the IT operation of its growing and highly networked SAP system landscapes, Deutsche Börse Systems AG decided to implement REALTECH's theGuard! ApplicationManager for professional SAP monitoring.

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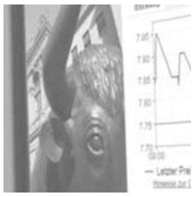

3

Microsoft / DELL

REALTECH can rely on strong strategic alliances, particularly in the field of SAP migration. For example, DELL is a hardware partner, and cooperation with Microsoft, which extends over many years, grants us the title "Microsoft Certified Partner". The long-standing relationship gives REALTECH direct access to the SAP-Microsoft Lab and also ensures that experience and information can be exchanged directly.

BUSINESS AREAS

Information technology is one of the key global growth markets of the past 20 years and is firmly established as a decisive competitive factor. If companies today want to survive in the highly competitive global market, they must align their internal organization consistently with their own business goals. In particular, having an IT department that operates across areas as well as high-performance IT systems are key to helping companies achieve their goals. This has meant that business activities over the past few years have been increasingly focused on IT management and the strategic further development of the IT infrastructure.

Founded in 1994, REALTECH supports companies' business processes through consultancy services and innovative software products. This includes minimizing administrative outlay for IT operations, improving and consolidating existing IT infrastructures and monitoring and optimizing business-critical processes. With REALTECH's support, organizations increase the performance of their IT solutions as well as the efficiency of associated processes. When customers have mapped their business processes along the entire value chain in their IT systems and harmonized all solutions in the best possible way, they possess an unrivalled competitive advantage: they can always optimize and adjust their internal processes to new situations faster than their competitors.

The area of consulting is a cornerstone in the REALTECH business model. Over the years, the company has developed from being a recognized specialist in technical SAP expertise to a consulting partner for strategically significant business processes. The IT service provider, based in Walldorf, is now firmly established in the high-margin segment of IT strategy consulting. REALTECH consultants have special expertise relating to the management of business processes and IT services. At the same time, we provide reliable support for our customers with technology and strategy consulting for SAP solutions, to operate, consolidate and optimize

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their IT systems. REALTECH consultants are specialists when it comes to working in close consultation with customers. This ongoing dialog means that REALTECH are always aware of customers' requirements for their IT landscape. We are therefore in a position to tailor the development of our consulting services and products specifically to customer needs.

The second pillar in the REALTECH business model also benefits from the consultants' close proximity to customers: the development of software products for managing IT infrastructures and IT service processes. Our self-developed theGuard! product family offers a globally unique software portfolio for company-wide IT management. For example, with the right theGuard! application, organizations can achieve even greater automation of their IT services and the operation of complex IT landscapes. Success in the market attests to the fact that REALTECH is now Europe's largest software manufacturer for IT management solutions.

Excellent partnerships with market leaders underline our expertise and acceptance. Prestigious companies such as Microsoft, Novell and SAP recommend REALTECH when dealing with specific projects that are highly complex. In particular, close partnership with SAP represents an important basis for business success. The two companies, who are both located in Walldorf, further expanded their collaboration in 2010 and entered into an extended development partnership. In the year under review, REALTECH were also nominated for the global "SAP Pinnacle Award" for the first time, the highest distinction that an SAP partner can receive.

Customers place their trust in REALTECH

Across the world, more than 2,000 customers representing all sizes and industries rely on our consulting services and products. REALTECH has branches in seven countries worldwide, with core markets including Germany and Spain. Numerous other countries are covered by sales partnerships.

According to a survey, REALTECH customers' satisfaction was found to be 95 percent. To make sure it stays this way, we are continuing to invest heavily in the training and professional development of our employees. Around 80 percent of REALTECH consultants are certified and many of our IT specialists have more than five years' experience of working in an SAP environment. Various SAP certifications document our consultants' specialist knowledge. In addition to expertise, REALTECH attaches great importance to social and methodical skills and promotes them in a targeted manner.

The following two examples demonstrate how companies benefit from our consulting services and software products:

At Munich Re, a leading global reinsurance company, REALTECH consultants have worked together with the customer to successfully realize one of the largest SAP migration projects in Europe. As part of the project, experts transferred SAP systems to the Linux platform, a free open source operating system. Munich Re also converted to standard industry servers at the same time, meaning that new computers can now be purchased and made available more quickly and cost-effectively. Furthermore, operating costs for the SAP server landscape were reduced.

"In REALTECH, we chose a migration partner with great technical expertise. Thanks to REALTECH, Munich Re now benefits from a reliable and cost-effective server infrastructure for business-critical SAP systems with high performance," reports Stefan Zahrer, IT project manager at Munich Re.

MTU Friedrichshafen GmbH ranks among the world's leading manufacturers of large diesel engines and complete drive systems. The company's employees work with SAP applications worldwide, making aspects like IT system performance and reduced downtime a high priority. At MTU, REALTECH's theGuard! products monitor around 90 business-critical servers and inform the IT department in good time if any faults are likely.

"theGuard! ApplicationManager has enabled us to improve system monitoring significantly. As a result of monitoring alone, which is now fully automated, investments in the REALTECH solution have been recovered after just six months," explains Siegfried Breyer, ERP program management at MTU Friedrichshafen.

BUSINESS AREA CONSULTING

Consulting is one of the two core business areas at REALTECH: in recent years, our customers have required intensive consulting and higher-volume services more and more in this area. Specializing in SAP technologies is a great advantage: the combination of in-depth SAP expertise and extensive process consultating is a significant unique selling point for REALTECH in the competitive IT consulting market.

Our IT specialists help organizations to optimize their business processes, reduce their costs and therefore to succeed in the market place against their competitors. We help our customers to implement innovative SAP technologies in an optimum way and develop high-performance IT solutions. The service portfolio of the consulting segment includes consultation regarding strategies, business processes and technologies.

Strategy consulting

The ongoing networking of people, processes and systems means that IT implementation is becoming increasingly complicated. Instead of just considering individual computer systems when developing IT landscapes, IT managers must today analyze complex process chains. Furthermore, company datasets are growing continually. The result: companies require ever larger capacities to be able to process the amount of data created.

To master this complexity, IT departments develop specific concepts and solutions together with external consultants like REALTECH. The aim is to develop the IT infrastructure so that it supports the corporate strategy and higher-level business goals in a direct and verifiable manner.

Business process consulting

Companies across the globe rely on SAP NetWeaver technology as the basis for their business applications. REALTECH sets itself apart in this area through its special, diverse expertise, and supports companies through all project phases. Our consultants develop concepts for getting started with SAP NetWeaver technology and provide support during operations right through to development of specific solutions for specialist departments. Business intelligence applications are still especially sought after: these programs record key figures from business processes and present performance data in a meaningful way. This enables managers to make strategic decisions on the basis of current data.

Technology consulting

Alongside company-wide business processes, IT managers must also pay attention to their underlying technologies. Mapping highly complex processes in software solutions requires a stable technological basis. Criteria such as reduced downtime, flexibility and optimal cost structures are just some of the requirements that our consultants discuss with customers.

Excellent specialist knowledge of SAP technologies has been one of REALTECH's core competencies ever since the company was founded. We advise customers on all technological matters concerning SAP. We also provide active support with SAP Basis administration, software upgrades, SAP version upgrades and changeovers from SAP systems to platforms such as Linux and Microsoft. Our expertise is reflected in the fact that REALTECH has a series of special partnerships with SAP and has received various certifications.

BUSINESS AREA SOFTWARE

REALTECH's second core business area is software products developed in house. The development and sales of the theGuard! product family began more than ten years ago: today, we offer a globally unique software portfolio for company-wide IT management and monitoring of business processes. The potential of this market segment highlights the fact that companies are basing their business processes on software solutions more and more, whether directly or indirectly. This trend is set to continue in the coming years.

theGuard! products signify increased quality and security for the operation of company-wide IT infrastructures. The software family enables companies to analyze, monitor and optimize their networks, applications and business processes. The solution also gives IT organizations a higher level of automation: computer center operators can structure their service and support processes, for example, in a significantly more efficient way as individual theGuard! processes can be performed automatically. Our software products also identify potential sources of errors in good time and present suggestions to IT managers to rectify the weaknesses quickly and efficiently.

With theGuard!, companies gain increased transparency regarding the performance of business processes and IT systems. The software solution provides managers with specific measured values with which they can evaluate the quality of business processes objectively. Key figures for further system monitoring can be derived on this basis, which makes it possible to accurately monitor the performance of an IT infrastructure and the associated processes.

The data obtained forms the basis for evaluating the performance of departments and business areas. Optimization and cost-cutting potential can be viewed at the same time, so that organizations vcan continually improve their specialist processes and focus on strategic business goals. This increases the proportion that IT contributes to the company's overall success.

REALTECH's extensive expertise in SAP technologies has led to a further focus being established in the business area of software: the development of special software products exclusively for SAP applications. These applications for Application Lifecycle Management support IT departments in developing and maintaining software solutions throughout their entire life cycle. For example, our products contribute to increasing the quality of SAP applications and support system security and auditing acceptability.

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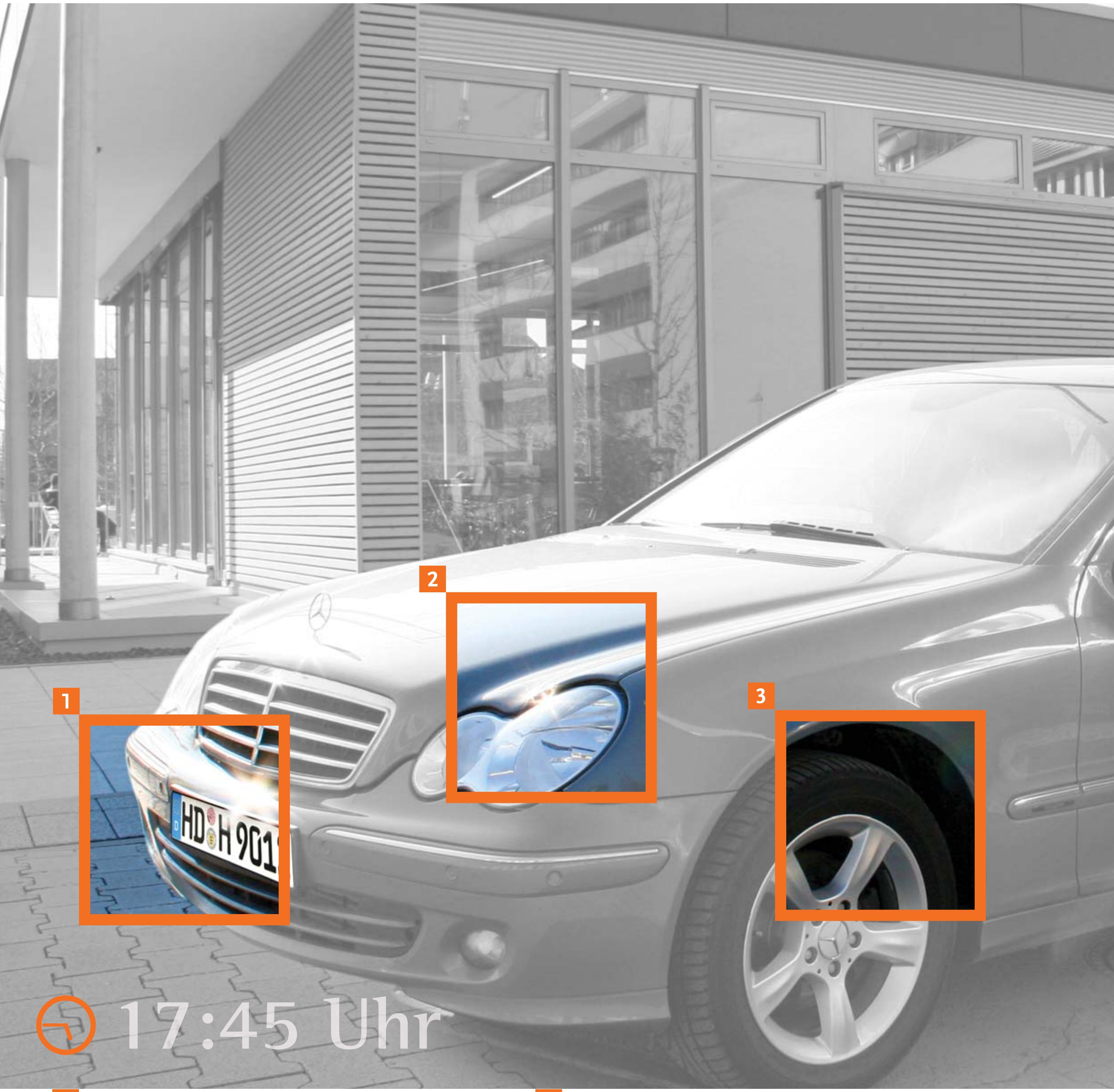
Overall, by using theGuard!, companies cut their IT costs, ensure the running of critical business processes and create more opportunity for their IT departments to realize strategic IT projects.

SAP collaboration expanded

In 2010, REALTECH and SAP began to expand their long-term, close partnership even further. The next version of the SAP Solution Manager will contain components from the REALTECH theGuard! product family. This integration allows customers to further automate core IT processes and thus optimize IT operations. The market penetration of the REALTECH solution in terms of medium-sized companies as well as REALTECH's SAP expertise were key factors in SAP's decision. Furthermore, SAP licensed certain theGuard! product components and will implement them in managing SAP Business ByDesign, the new solution for medium-sized companies.



1

TÜV Rheinland

"We know REALTECH to be a skilled and reliable partner. For example, the SAP consulting company gave us considerable support in implementing and operating a global SAP portal architecture."
Arno Kühn, TÜV Rheinland

2

BOSCH

The Bosch Group, a leading international technology company in the areas of automotive and industrial technology as well as consumer goods, has been a customer of REALTECH software since the very beginning – BOSCH has used theGuard! to efficiently monitor its systems since as early as 1997.

3

Continental

"REALTECH delivers excellent performance and is always there when you need help."

Thomas Heller, Head of SAP Basis & Data Center Operations A IT IN BD Continental Automotive Systems Division.

GROUP MANAGEMENT REPORT

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

BUSINESS AND FRAMEWORK TERMS AND CONDITIONS

GROUP STRUCTURE AND OPERATING ACTIVITIES

Legal Group structure

REALTECH AG is the holding company of the REALTECH Group. The business development of the REALTECH Group is determined to a large degree by the subsidiaries in Germany and abroad. Alongside the parent company REALTECH AG, the consolidated financial statements include all significant associated companies at which REALTECH AG directly holds the majority of votes.

The number of consolidated companies has been reduced compared to the previous year due to the exclusion of REALTECH Italia S. p. A.

Business areas and organizational structure

REALTECH reporting is divided into two areas which are linked to one another strategically, technically and economically. They are supported by service units and holding functions of REALTECH AG.

Business area consulting

The business area of consulting supports companies in implementing innovative SAP technologies in an optimal way as well as in developing individual IT solutions. The service portfolio includes consultation regarding strategies, business processes and technologies.

REALTECH's consultants specialize in working with customers to improve the IT infrastructure as well as the business processes on which they are based. This applies particularly to SAP applications: one of REALTECH's most important unique selling points is its combination of technological SAP expertise and supplementary process consulting. The consultants target IT-assisted business processes that support the corporate strategy and operative business goals in a direct and verifiable manner.

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REALTECH also advises and provides support with regard to technical operation and the optimization of global SAP landscapes. For example, services include SAP Basis administration, installing software upgrades and switching from SAP systems to platforms such as Linux or Microsoft.

In projects relating to business process optimization, in particular, consultants make use of REALTECH software solutions developed in house. Consequently, customers benefit from faster project implementation as the REALTECH consultants can implement in-house solutions very efficiently. This results in reduced project costs and increased customer satisfaction.

Business area software

The second REALTECH business area develops software products for IT service management. Development of the theGuard! product family began more than ten years ago. This has created a globally unique software portfolio for company-wide IT management and business processes monitoring. REALTECH is the largest manufacturer of IT service management solutions in Europe. The key competitors, including the big IT companies, are based in the US.

The theGuard! products provide increased quality and security for the operation of company-wide IT infrastructures: companies use them to analyze, monitor and optimize their networks, applications and business processes. The solutions also automate work processes within an IT department: in this way, computer center operators can significantly improve their service and support processes, for example. Overall, theGuard! offers companies increased quality and security for the operation of company-wide IT infrastructures.

REALTECH's SAP expertise led to the creation of a further product focus: the development of special software tools exclusively for SAP applications. These Application Lifecycle Management products support IT departments with the further development of SAP applications.

COMPANY MANAGEMENT

The REALTECH Group's business areas and holding units work together in a matrix organization; the interests of the Group are always the main priority.

The matrix organization supports the following goals:

- Clear and consistent assignment of tasks and authority
- Optimum use of opportunities with the best possible limitation of risks
- Optimum use of company-wide available expertise

The REALTECH Group's internal company control system essentially comprises the following components:

- Regular Executive Board meetings every four weeks
- Continuous monthly income and liquidity planning
- Monthly reports of the business areas
- Monthly reports of the subsidiaries
- Risk and opportunity management
- Regular reporting to the Supervisory Board

The REALTECH Group is controlled by means of regular strategic discussions at the Executive Board level and with the business area managements in order to then strategically and promptly implement the corresponding results in the form of annual and medium-term planning as well as through target agreements. The Executive Board and the business area managements are informed each month about the development of key parameters and operational leading indicators of the Group and its business areas. The focus here is on the comments relating to developments or deviations from targets with regard to revenue, costs, income, personnel, investments and other key performance indicators. Information is based on a management information system (MIS).

Numerous operational leading indicators, such as assessment of market potential, also form the basis for our business policy decisions, allowing us to use our opportunities and prevent developments that may be undesirable. In addition, continuous monthly projections provide information on the development of income for the current year. The aim is to analyze the changes in the key revenue and cost figures of the income statement as compared with the previous month's estimate as well as the planned figures, and to introduce corrective measures if necessary. Liquidity movements are also shown each month using an extrapolated cash flow statement. In addition, committees regularly discuss the topics of personnel, compliance, IT and marketing. Special commissions are set up to check, evaluate and approve investments or acquisitions or divestments. Evaluation of projects is usually performed using the income approach. Finally, special teams are formed as part of potential acquisitions to create the organizational conditions required for speedy and effective integration.

The ongoing integration of all enterprise areas into risk management and the internal control system ensures that changes in all areas and at all decision-making levels of the REALTECH Group are responded to quickly. Significant, income-related changes within a field of observation are reported to the Executive Board and the management immediately.

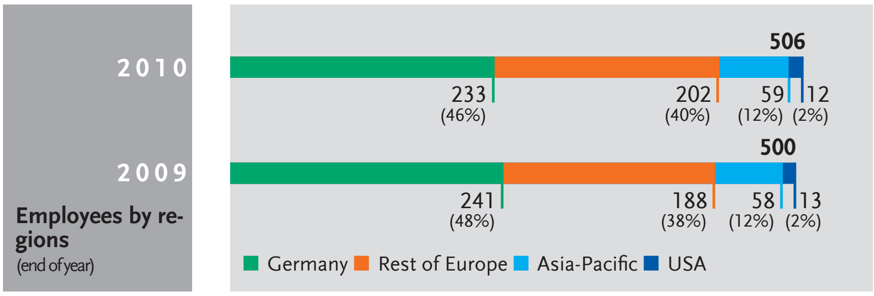
EMPLOYEES

As business began to recover from the economic crisis, the market for employees in the IT sector in 2010 proved to be tight and competition was tough, in particular when it came to experienced specialists. A host of companies have intensified efforts to recruit new employees but at the same time employees have been skeptical about changing jobs. From mid-2010 the situation on the IT jobs market eased somewhat. However, the market for experienced SAP consultants is still difficult. According to BITKOM, the German association for the industry, there were 28,000 vacant posts for IT experts in Germany at the end of 2010. REALTECH has done well in the jobs market and has been able to recruit a sufficient number of qualified specialists for the vacant posts.

On December 31, 2010, the Walldorf-based IT specialist had 506 employees on its payroll – 6 more than a year previously. Out of these employees, 233 worked in Germany, compared to 241 employees on December 31, 2009. This means that around 46 percent of the company's employees work in Germany and 54 percent are based at the Group's international sites. In the year under review, the fluctuation was 19 percent, compared to 17 percent in 2009.

Successful teamwork

In the industry REALTECH is considered to be an attractive employer. The company is large and prestigious enough to offer its



Employees by regions
(end of year)

specialists challenging projects and tasks at high-profile customers. This applies to both the consultancy and software sectors. Equally, the size of the company means that employees can develop an appropriate profile and demonstrate effectiveness during their everyday work. Each individual person has an opportunity and is encouraged to make an active contribution – a philosophy which employees appreciate tremendously. This is how REALTECH gives all employees the opportunity for personal development in line with their individual strengths and allows them to try out their skills in new projects and technologies.

Of particular importance are the network and the contacts established between colleagues: The friendly and helpful attitude of colleagues towards each other has a strong influence on the atmosphere within the company. They are conscious that teamwork is required to make a modern IT company successful. Customers and partners appreciate the reliability, expertise and hard work of REALTECH's employees.

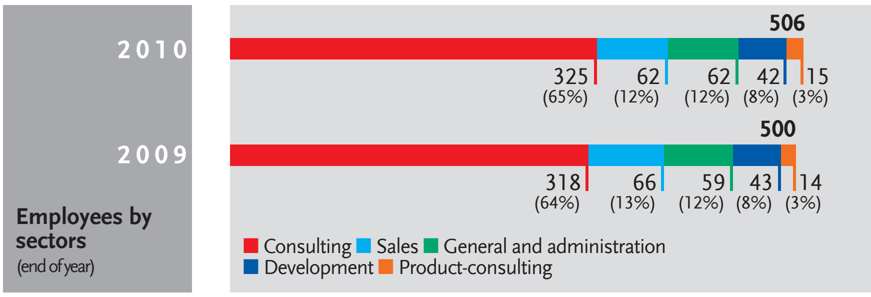
Training to meet future needs

REALTECH's far-sighted training program prepares its employees in all enterprise areas for future challenges. Apart from technical training measures such as SAP-specific courses, the training offered is also backed up by courses on methodology, for example on sales and project management. Employees have the possibility of developing their skills horizontally throughout their career. Specialists also have scope for vertical development, with the opportunity to take on leadership functions or management roles, providing that the relevant prerequisites are in place. It is also possible for employees to move to completely new areas of work, if the appropriate internal vacancies become available.

When it comes to recruiting new talent, REALTECH focuses on vocational training in the dual system (IT specialists and office administrators) as well as those specializing in management information systems at Dual Universities. The IT service provider also offers interested young people work experience and facilities for academic projects so that potential employees can be introduced to the company at an early stage.

An attractive employer in the future too

Countless new trends will again have an important influence on the labor market in 2011, starting with the demographic change and continuing globalization and extending to changing values in the world of work. REALTECH is prepared for these developments and will continue to maintain a profile as an attractive employer in the sector. Against a background of the positive trends in the economy, REALTECH will continue with its intensive human resources marketing policy in 2011 so that the company can recruit highly qualified employees for challenging IT projects.



RESEARCH AND DEVELOPMENT

REALTECH's theGuard!, a product family developed in-house by the company, provides customers with an end-to-end solution for the automatic monitoring of their IT systems, the analysis of company applications and the efficient management of complex IT environments. The main focus of development activities in 2010 was to align theGuard! with current customer requirements. For example, the use of software products in computer centers and at IT service providers was optimized. REALTECH also entered into a forward-looking partnership with SAP to integrate theGuard! technologies into SAP software.

Investments made

In the 2010 fiscal year investment in Research and Development (R&D) was EUR 3,623 thousand. Compared to the previous year (EUR 3,845 thousand) this expenditure fell by 6 percent. Accordingly, R&D activities as a share of total revenue fell from 8 percent to 7 percent. On December 31, 2010, the Group employed 42 people in Research and Development at its Walldorf and Schweitenkirchen sites in Germany (previous year: 43 employees).

theGuard! product range extended

The services offered by company-based IT managers and computer center operators are becoming ever more professional. The trend is moving towards operating IT systems with fewer staff as a result of automation. Parallel to this, users at PC workstations are becoming more demanding and expect IT services of an even higher quality.

As a result of this, in 2010 REALTECH enhanced theGuard! product range to include functions such as theGuard! Adaptive Business Cockpit and, at the same time, added current technologies from leading companies such as Microsoft. The enhancements allow IT experts to identify performance deterioration in IT systems more quickly and easily. New, additional service functions assist IT departments to present their services in a clear and understandable way in the form of catalogs. This makes it easier for suppliers and customers to reconcile their expectations when it comes to IT services to be provided. Over and above this, REALTECH supports mobile use through appropriate software versions for devices such as smartphones or iPads.

REALTECH also made considerable advances through new software versions in the field of Change Management: theGuard! now makes it even easier and safer for IT departments to install new updates to SAP programs. Together with the new theGuard! ChangePilot and the improved functions of theGuard! TransportManager customers now have an extensive portfolio of products at their disposal for integrated, end-to-end release and version management.

More services for SAP

Another key aspect of the development work was to integrate theGuard! technologies into the SAP Solution Manager, SAP's central administrative tool. This integration allows companies to further automate central IT processes and – most of all – to control the use of IT in an efficient way for the business. As the role of IT in business is continuing to grow and it therefore accounts for a significant cost factor, this is a way of achieving considerable cost savings.

In addition to this, REALTECH enhanced the functions of theGuard! products in a number of areas in order to support new SAP technologies. For example, some REALTECH components now make up a central element of the operating strategy for "SAP Business by Design", SAP's solution for medium-sized companies, and provide SAP with the means to successfully operate this modern cloud computing solution.

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Outlook

In 2011 REALTECH will focus R&D activities on the localization and internationalization of the portfolio. The closer partnership with SAP opens up new sales markets which, for example, require support for further languages such as Japanese and French in relation to both software and documentation. The two SAP projects that affect the further incorporation of the theGuard! components into SAP Solution Manager and SAP Business ByDesign require a siginificant increase in F & E investments in year 2011.

In addition to this, as part of major projects customers are increasingly asking for special integration services for new devices and technologies. REALTECH will direct its development and consultancy work towards this and invest accordingly. In addition to this, REALTECH will also cooperate more closely with its own international subsidiaries and use external suppliers for highly specialized services.

EARNINGS, FINANCIAL SITUATION AND ASSETS

GENERAL ECONOMIC CONDITIONS

Between autumn 2008 and spring 2010, global economic development was hit by the biggest economic and financial crisis since the 1930s. However, the global economic decline has since come to an end and the economy is now experiencing an upward trend – particularly in Asia and Germany. During the year, economists and market analysts have repeatedly had to correct their forecasts for economic growth in 2010 upwards.

In 2011, the growth rate is expected to slow slightly. The International Monetary Fund (IMF) expects the global economy to grow by 4.4 percent after 5 percent in 2010. For China, experts forecast a 9.6 percent growth in gross domestic growth (GDP), while GDP in the US is expected to grow by 3 percent. The euro zone should see a plus of 1.5 percent, while Germany continues to be the driving force of the European economy with GDP growth of 2.2 percent. This corresponds to the German government's estimates: the 2011 annual economic report presented in January points to growth of 2.3 percent after 3.6 percent in 2010. The Bundesbank explained that the German economy would continue to recover over the next two years following 2010's remarkable turnaround.

The IT industry also benefited from the generally positive development: the renowned market research company Gartner again increased its forecast for global IT expenditure for 2011 and anticipates a plus of 5.1 percent to 3.6 trillion US dollars. The German association for the industry, BITKOM, anticipates that the global technology markets will grow primarily as a result of developments in the BRIC countries (Brazil, Russia, India and China). According to Gartner, companies in the EMEA region (Europe, Middle East and Africa) will invest 795.2 billion US dollars in their IT systems in 2011, which corresponds to a plus of 1.3 percent for the year.

BITKOM predicts that revenue across Europe from IT devices, software and IT services will increase by 3.9 percent to EUR 314 billion this year. According to BITKOM, revenue from IT in Germany rose by 2.7 percent to EUR 65.4 billion in 2010. Within this framework, the market for software and IT services (outsourcing, IT consulting, maintenance) grew by 1.7 percent to EUR 46.7 billion. The German IT market is expected to grow by 4.3 percent in 2011. The mood in the high-tech industry is better than it has been in years.

EARNINGS

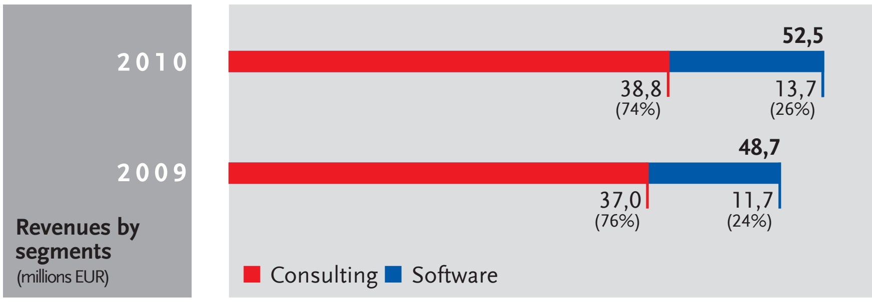
Group business development

At the end of the fiscal year, the Italian subsidiary REALTECH Italia S. p. A was sold as part of a management buyout and thus deconsolidated at Group level. Accordingly, in compliance with IFRS 5, the company REALTECH Italia S. p. A., which has been sold, is shown in the consolidated financial statements as "Discontinued Operations" or "Aufgegebene Geschäftsbereiche". The revenue and cost attributable to the Italian company and their contribution to income were deducted and are presented below the EBIT line.

As a result, the figures for 2010 and 2009 are presented and explained excluding REALTECH Italia. Deducting the revenue and cost attributable to REALTECH Italia changes the corresponding values for revenue and income. This resulted in a significant improvement in income for the Group at EBIT level.

In the 2010 fiscal year, REALTECH recorded an 8 percent increase in **revenue** from EUR 48,703 thousand to EUR 52,519 thousand. In the previous year, revenue had decreased by 13 percent.

The **Consulting** business area brought in EUR 38,811 thousand (previous year: EUR 37,015 thousand) and therefore rose by 5 percent (previous year: down 8 percent). This corresponds to 74 percent (previous year: 76 percent) of Group revenue. Revenue from in-house **software** development, in the form of licenses,



Revenues by segments
(millions EUR)

maintenance and supplementary services, rose significantly by 17 percent (previous year: minus 28 percent) from EUR 11,688 thousand to EUR 13,709 thousand.

In the year under review, the **cost of sales** increased by 7 percent from 29,865 thousand to 31,880 thousand. The proportion of revenue remained at the previous year's level of 61 percent. **Gross profit** climbed 10 percent from EUR 18,838 thousand to EUR 20,639 thousand. Relative to revenue, this figure remained at the previous fiscal year's level of 39 percent.

Selling and marketing expenses rose by 3 percent from EUR 7,413 thousand to EUR 7,637 thousand, corresponding to 15 percent of revenue as in the previous year.

Administrative expenses fell by 6 percent from EUR 5,595 thousand to EUR 5,279 thousand. As a percentage of total revenue, this figure thus dropped from 12 percent to 10 percent.

In 2010, REALTECH invested EUR 3,623 thousand in **research and development**. This corresponds to a decline of 6 percent compared to the previous year's figure of EUR 3,845 thousand. As a share of revenue, this expenditure decreased from 8 percent to 7 percent.

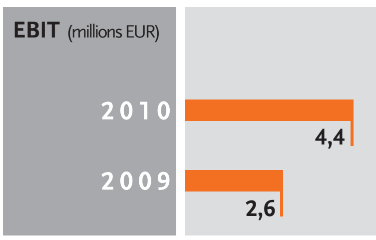
Operationg profit (EBIT) rose by 78 percent from EUR 2,571 thousand to EUR 4,843 thousand. Consequently, the EBIT margin increased from 5 percent to 9 percent. **EBITDA** improved by 54 percent from EUR 3,577 thousand to EUR 5,769 thousand.

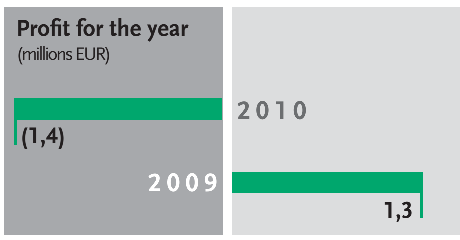
Income from operations in the consulting business area decreased by 3 percent from EUR 1,940 thousand to EUR 1,875 thousand. The software segment recorded EBIT growth of 138 percent from EUR 1,792 thousand to EUR 4,265 thousand.

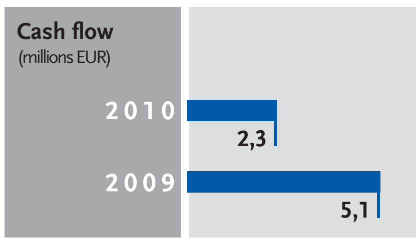
At EUR 80 thousand, **net interest** was slightly below the previous year's level (EUR 85 thousand). **Income from financial assets and securities** was EUR 0 thousand, having been minus EUR 82 thousand last year. The strengthening of the US dollar and the Japanese Yen caused currency income to be converted from a loss of EUR 114 thousand into a profit of EUR 62 thousand.

As a result of the improved economic situation and following tax amendments for the years 2003 through 2009, **income tax expenses** increased from EUR 877 thousand to EUR 2,531 thousand. This figure is composed of the actual tax expense of EUR 1,278 thousand (previous year: EUR 941 thousand) and the deferred tax expense of EUR 221 thousand (previous year: EUR 64 thousand). The effective tax rate fell from 36 percent to 32 percent.

Profit for the year declined from EUR 1,305 thousand to EUR 1,440 thousand. Despite the significant improvement in EBIT, this can be explained by the figure for **loss after tax for the year from discontinued operations**, which changed from minus EUR 278 thousand to minus EUR 3,416 thousand, as well as the increase in tax expenses. Based on the average undiluted number of 5,322,552 shares, this amounts to **earnings per share** of EUR 0.20 (previous year: EUR 0.23 at 5,278,202 shares) for parent company shareholders.







Business development in the various regions

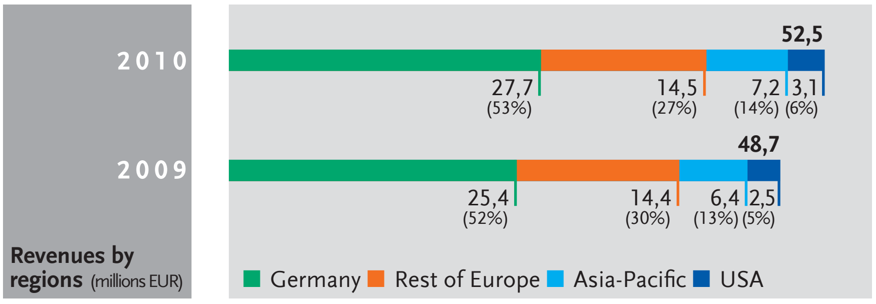
All four regions in which REALTECH operates have seen revenues grow in the 2010 fiscal year. Revenues recorded in **Germany** rose by 9 percent year on year (previous year: minus 16 percent) from EUR 25,419 thousand to EUR 27,687 thousand. Contribution to Group revenue increased slightly to 53 percent (previous year: 52 percent). The revenue REALTECH generated abroad amounted to EUR 24,832 thousand (previous year: EUR 23,284 thousand). The share of total revenue was 47 percent (previous year: 48 percent).

At EUR 14,494 thousand, **Rest of Europe** recorded a slight growth in revenue year on year (EUR 14,379 thousand). Revenues were down 1 percent in Spain, whereas Portugal saw a 14 percent increase in revenue compared to the previous year. The proportion of Group revenue generated in Rest of Europe decreased from 30 percent to 27 percent.

In region **USA**, the subsidiary generated revenue of EUR 3,165 thousand compared to EUR 2,504 thousand in the previous year (plus 27 percent). This region's contribution towards Group revenue therefore increased from 5 percent to 6 percent. The Asia-Pacific region recorded year-on-year growth of 12 percent from EUR 6,400 thousand to EUR 7,173 thousand. The proportion of Group revenue increased from 13 percent to 14 percent.

In contrast, income growth in the individual regions was varied. In **Germany,** gross profit rose by 20 percent and the gross margin increased from 46 percent to 50 percent. Selling expenses rose by 7 percent, which is linked to the increase in revenues. Administrative costs rose by 2 percent. Investment in research and development was 8 percent less than the previous year's figure. At EUR 3,195 thousand, income from operations for the German REALTECH companies more than doubled (previous year: EUR 1,182 thousand).

Rest of Europe saw a fall in EBIT of 15 percent at EUR 839 thousand (previous year: EUR 983 thousand). This was due to developments in Spain, where the company saw a 19 percent fall in its income from operations at EUR 604 thousand (previous year: EUR 749 thousand). In Portugal, EBIT remained unchanged compared to the previous year's level at EUR 235 thousand (previous year: EUR 234 thousand). The region **USA** recorded positive income from operations of EUR 54 thousand (previous year: minus EUR 249 thousand), following a long period of negative results. In contrast, the **Asia-Pacific** region saw a 16 percent fall in EBIT to EUR 553 thousand (previous year: EUR 655 thousand). Income from operations more than doubled in New Zealand, while it fell by half in Japan; Singapore recorded a slight negative EBIT at minus EUR 39 thousand.



Revenues by regions (millions EUR)

FINANCIAL SITUATION AND ASSETS

Balance sheet structure

Compared to the same key date the previous year, **total assets** were up 2 percent from EUR 41,355 thousand to EUR 42,330 thousand. The main reason for this was – despite the rise in trade receivables – the presentation of assets from discontinued operations resulting from the sale of REALTECH Italia. The **equity ratio** therefore declined from 69.1 percent to 59.7 percent. The equity capitalization continues to form a sound basis for realizing further growth targets.

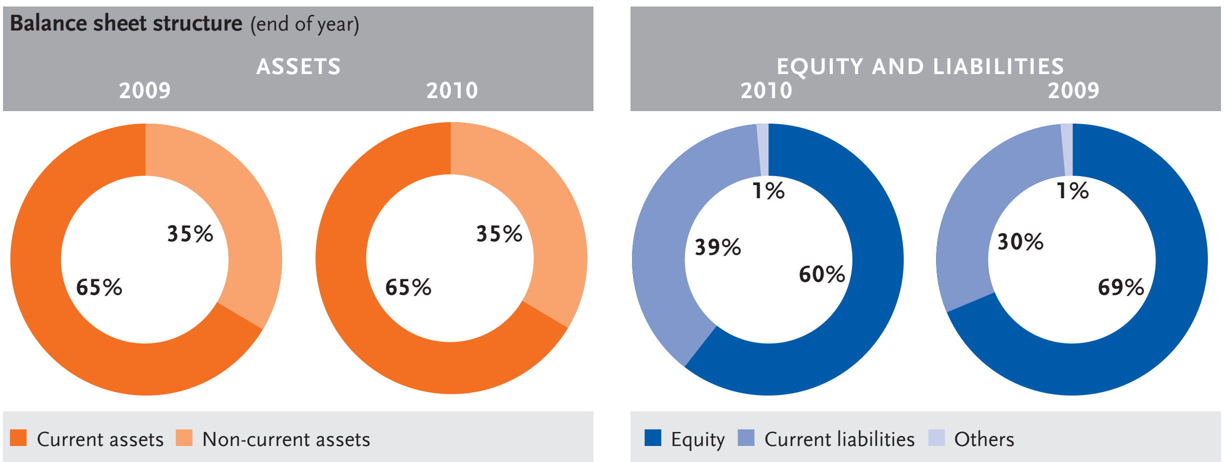
On the balance sheet date, the REALTECH Group had **net cash and cash equivalents** of EUR 6,361 thousand (previous year: EUR 6,621 thousand).

Investment and financing

In the year under review the REALTECH Group reported **cash flow from operating activities** of EUR 2,302 thousand, compared to EUR 5,051 thousand in the previous year. The main reason for this reduction was the slight decrease in trade receivables in comparison to the previous year.

Cash flow from investing activities in 2010 amounted to minus EUR 879 thousand, having been minus EUR 557 thousand the year before. This downturn was due, in particular, to the change in the number of securities.

The **cash flow from financing activities** rose slightly from minus EUR 2,487 thousand to minus EUR 2,367 thousand, which resulted primarily from the exercising of conversion rights.



Cash flow statement

The cash flow statement is as follows:

	2010 TEUR	2009 TEUR
Cash flow from operating activities	2.302	5.051
Cash flow from investing activities	(879)	(577)
Cash flow from financing activities	(2.367)	(2.487)
Change in cash funds from cash-relevant transactions	(943)	1.987
Cash at the beginning of the reporting period	7.304	5.317
Cash at the end of the reporting period	6.361	7.304

Principles and goals of financial management

The primary goal of financial management is to ensure the company's liquidity. A key secondary goal is to minimize the company's interest burden. Financial management is the responsibility of the Group Treasury department.

REALTECH AG (SUMMARY ACCORDING TO THE GERMAN COMMERCIAL CODE (HGB))

REALTECH AG is the parent company of the REALTECH Group and is headquarted in Walldorf/Baden. Operating activities essentially include the management of the Group. In this function, REALTECH AG manages various interests in other companies. The company essentially constitutes a management holding. REALTECH AG has a direct interest of 100 percent in most of its subsidiaries. REALTECH Japan Co. Ltd., in which the holding has an interest of 54.1 percent, is an exception. (Please also refer to "7. Interests in associates" in the Notes to the Consolidated Financial Statement.)

In contrast to the consolidated financial statements, which are consistent with International Financial Reporting Standards (IFRS), the REALTECH AG annual financial statements are prepared in accordance with the German Commercial Code (HGB). This leads to differences in the accounting and valuation methods. These differences primarily apply to intangible assets; property, plant and equipment; and deferred taxes.

REALTECH AG condensed income statement

	2010 EUR	2009 EUR
Other operating income	73.599,23	423.858,85
Staff costs	975.910,81	845.415,51
Depreciation of intangible assets and tangible assets	8.945,49	29.678,00
Other operating expenses	6.321.418,78	1.110.061,12
Income from investments	3.121.474,94	2.948.149,61
Other interest and similar income	171.470,05	215.225,90
Depreciation of financial assets	1.359.594,07	0,00
Interest and similar expenses	5.500,00	28.092,62
Earnings before interest and tax	**(5.304.824,93)**	**1.573.987,11**
Income tax expenses	(2.214.993,22)	430.058,08
Other taxes	264,78	8,72
Net loss/income	**(3.090.096,49)**	**1.143.920,31**
Retained profits brought forward from the previous year	348.300,51	1.872.356,20
Withdrawals from the additional paid-in capital	2.741.795,98	0,00
Retained earnings	**0,00**	**3.016.276,51**

REALTECH AG earnings

Other operating expenses rose from EUR 1,110 thousand to EUR 6,321 thousand, primarily due to the waiving of a claim to the amount of EUR 3,483 thousand for an assigned tax claim to the 100-percent subsidiary REALTECH Verwaltungs GmbH, as well as the sale of the Italian subsidiary.

The **depreciation of financial assets** is an allowance for a loan receivable from REALTECH ITALIA S. p. A, The **income tax expenses** primarily relate to tax income of EUR 3,073 thousand as a result of tax losses for the years 2007 through 2009 and tax expense of EUR 858 thousand following an observation from an external audit for the years 2003 through 2006.

In the year under review the holding generated a **net loss** of EUR 3,090 thousand (previous year: net income EUR 1,144 thousand). REALTECH AG's net income was greatly influenced by the sale of the 100 percent equity investment in REALTECH Italia S. p. A., the allowance for the loan granted to the Italian company and the income-tax effect described.

REALTECH AG balance sheet structure

	31.12.2010 EUR	31.12.2009 EUR
Non-current assets		
Intangible assets	10.745,00	13.405,00
Tangible assets	3.212,00	4.699,00
Financial assets	28.815.547,21	31.785.041,72
Current assets		
Receivables from affiliated companies	11.075.805,84	17.812.157,50
Other assets	93.746,67	100.723,64
Cash	2.434.509,30	2.491.145,78
Prepaid expenses	22.458,00	112.837,23
Assets	**42.456.024,02**	**52.320.009,87**
Equity		
Issued capital	5.349.152,00	5.295.952,00
(Conditional capital EUR 166.500,00; Vj. EUR 239.200,00)		
Additional paid-in capital	33.054.667,23	35.548.359,21
Retained earnings	0,00	3.016.276,51
Provisions		
Tax provisions	910.300,24	141.889,93
Other provisions	360.805,89	275.448,81
Liabilities		
Bonds	1.665,00	2.392,00
Trade payables	73.672,23	48.639,12
Liabilities to affiliated companies	2.081.588,64	7.672.711,61
Other liabilities	624.172,79	318.340,68
Equity and liabilities	**42.456.024,02**	**52.320.009,87**

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REALTECH AG financial situation and assets

As of December 31, 2010, REALTECH AG recognized **receivables from affiliated companies** of EUR 11,076 thousand compared to EUR 17,812 thousand in the previous year. **Liabilities to affiliated companies** at the same time were EUR 2,082 thousand (previous year: EUR 7,673 thousand). Ofsetting reduced both balance sheet items.

The retained profits from the previous year were used to compensate for the net loss for the year and EUR 2,742 thousand was withdrawn from the paid-in capital. REALTECH AG employed an average of 3 people (previous year: 8).

REALTECH AG risks and opportunities

REALTECH AG's business development is essentially subject to the same risks and opportunities as the REALTECH Group. REALTECH AG participates in the risks of the subsidiary due to its equity interest. The risks are presented in the Risk report.

Based on the increased revenue volume in 2011, REALTECH AG anticipates a further improvement in income. This positive trend should continue. Due to REALTECH AG's interrelationship with the Group subsidiaries, we also refer to our statements in the Forecast report section, which also largely reflect our expectations for the parent company.

APPROPRIATION OF INCOME

REALTECH AG's annual financial statements form the basis for a resolution to be passed during the General Meeting on the appropriation of income. REALTECH AG's net income was greatly influenced by the sale of the equity investment in REALTECH Italia S. p. A. and the allowance of EUR 1,360 thousand for a loan granted to the Italian company. **Retained earnings** in the year under review was EUR 0 thousand, compared to EUR 3,016 thousand in 2009. The retained profits from the previous year were used to compensate for the net loss for the year and EUR 2,742 thousand was withdrawn from the **additional paid-in capital.**

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no significant changes regarding the general economic conditions or our industry situation after the close of the fiscal year. Furthermore, there were no other events of particular significance to report for the REALTECH Group.

OPPRTUNITY AND RISK REPORT

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

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

■ Uniform risk assessment throughout the corporate group

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

In other areas that are less amenable to quantitative assessment, REALTECH uses the assessment matrix as a basis to perform qualitative risk assessments. In this process, the company estimates the probability of occurrence of individual risks. Possible implications of a risk are estimated over a time frame of three years so that risks can be prioritized accordingly. Risks are only controlled by taking out insurance when the Group considers this appropriate with a view to the associated economic benefits.

Clearly defined risks

With a view to creating transparency in respect of all risks that exist in the Group and also facilitating the tasks of risk management and reporting, REALTECH records all identified risks in a risk map as part of corporate reporting. In the context of quarterly risk reporting, the various specialist departments consolidate and aggregate risk management information and report on this to the Executive Board. If risks have an expected loss of more than EUR 4 million, REALTECH considers them to endanger the company's continued existence.

The company reviews its risk management guidelines and risk map on an annual basis and modifies them where necessary. Each year, the auditor investigates the basic suitability of the company's risk management system for the early recognition of risks that endanger the company's continued existence as defined in Section 91, Paragraph 2 of the German Stock Corporation Act.

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

Economic risks

In 2010, the environment in which REALTECH AG was operating was still influenced by the erratic nature of the global economy. As in 2009, tougher conditions on the capital markets and reluctance among customers to invest slowed down business development at REALTECH AG. Late receipt of payments, uncollectible receivables and the possibility of customers and partners becoming insolvent may also affect the company's development in 2011.

Other uncertainties, caused by changes in the political, legal and social situation, may have negative effects on the Group's net assets, financial position and earnings – as a result of both a reduction in the general willingness to invest and a time delay in the planning of such investments. However, the company's international orientation and the fact that REALTECH offers its products on all important world markets provide the company with the flexibility to balance out regional economic difficulties through better results on other markets.

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

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

Market risks

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

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

When it comes to developing its solutions, REALTECH pays great attention to customer requirements, hoping to maximize market acceptance. However, the company is not in a position to guarantee that this acceptance will also remain constant in the future. In particular, the fact that competitive pressure is constantly increasing – among other things due to takeovers and the associated market concentration – may have the result that REALTECH products do not obtain the desired market access.

Risks in strategic planning

A significant part of REALTECH's strategy entails further expanding its market share. The process of developing new products and launching them on the market is always associated with risks that may have a negative impact on the company's financial position and earnings. Over the past few years, the company has demonstrated its ability to successfully counteract the risks connected with new products and further expand its market share. Furthermore, REALTECH is convinced that it can meet customer's technical requirements. Thanks to its years of experience REALTECH is able to make a realistic appraisal of project risks and predict the costs entailed to fulfill orders. For this reason, the Group considers it unlikely that product innovations and new services will have any significant negative impact on income growth.

Personnel risks

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

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Communication and information risks

In recent years, REALTECH has implemented a range of measures to counteract the risk of internal, confidential announcements as well as information regarding highly sensitive topics, for instance future strategies and products, being passed on to the general public incorrectly or too early. These measures include binding company-wide security standards and guidelines on internal and external communication. Furthermore, we have taken IT precautions to prevent confidential information being forwarded via external communications networks. Employees who regularly work with confidential information are equipped with special hardware including additional data encryption. Despite this, there is no guarantee that these protective mechanisms will be successful in every single case. However, in view of the far-reaching measures, which REALTECH regularly reviews, the company considers it unlikely that the aforementioned risk will take effect.

Financial risks

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

Operative risks

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

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

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

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

Insurance risks

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

Other risks

Risks also result from rules and laws relating to tax, competition, and patents. In order to counteract such risks, REALTECH obtains extensive legal advice when making decisions and designing business processes. This advice is obtained both from its own experts and outside experts. REALTECH principally uses copyright and trademarks to protect rights, software and intellectual property. However, it is not possible to rule out the possibility completely that market participants may copy REALTECH products or misuse existing rights.

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

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

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

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

Forecast report

The 2010 fiscal year was again a very difficult and challenging year for REALTECH. Although customers invested more in the year under review than in the previous year, investments were only made selectively in very specific IT topics. Furthermore, subsidiaries in countries like Spain, and particularly Italy, are not growing as planned and were unable to contribute to net income. Nevertheless, the economic goals for 2010 have largely been achieved. This clearly shows that REALTECH, with its portfolio of consulting services and software, is continuing to do well on the market.

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In 2010, group revenue rose by 8 percent to EUR 52,519 thousand, while earnings before interest and tax (EBIT) increased by 70 percent to EUR 4,365 thousand (previous year: EUR 2,571 thousand). The fourth quarter, which was very successful due to global software sales, contributed particularly to this growth.

In December 2010, REALTECH sold its Italian subsidiary. Consequently, the company is shown in the consolidated financial statements as “Discontinued Operations”. This means that the figures for the 2010 and 2009 fiscal years are presented and explained in this report excluding REALTECH Italia. Deducting the revenue and costs attributable changes the figures accordingly.

Fiscal year 2011

REALTECH also foresees a challenging situation for the current 2011 fiscal year. It is important that the company prepares itself appropriately for the coming year and invests in the consulting and software areas. In the consulting segment, REALTECH’s focus is on strengthening its business in Germany in a targeted manner through organic or inorganic growth. In the software division, the main priority is investments in research and development as well as the organization of partnerships with SAP. The goal of the software division is to expand the international product business. The Executive Board is confident that the company is well equipped for the future in both fields of business.

With regard to geographical presence, REALTECH is focusing on international product growth in the USA and Asia-Pacific region, while at the same time strengthening international cooperation within the Group. The best example of this is REALTECH Portugal: the international subsidiary already develops some of its software products using its own highly qualified engineers, thus contributing to the value chain.

General economic growth is expected to slow again in numerous countries in the current year after the rapid growth in 2010, although the outlook for the IT industry is comparatively robust. However, factors of uncertainty remain, such as high government debt and unrest in the Arab world.

REALTECH is currently enhancing its portfolio of services in a targeted manner. The Management expects to record further revenue growth in 2011. However, due to ongoing investments, this will not be directly reflected in the earnings for 2011. We expect to reap the rewards of investments made in 2011 from 2012 onwards and achieve a double-digit EBIT margin. All business areas and regions are expected to contribute to achieving this. The company has a high level of customer orientation, motivated and skilled employees, is present in the right geographical areas with the right products and, in the consulting field, is involved with profitable topics – all of these factors combine to form a solid basis upon which REALTECH will continue to grow in the future in a long term, value-oriented manner.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

A feature of the REALTECH Group is its clear organizational, corporate, control and monitoring structure. Planning, reporting and controlling systems as well as early warning systems and processes exist throughout the company for end-to-end analysis and control of risk factors likely to have an effect on earnings and risks that endanger the company's continued existence.

In the accounting process, too, separation of functions is also an important control principle. The functions in all areas of the accounting process (e.g. financial accounting, controlling and internal audit) are clearly assigned. Adequate internal guidelines – including guidelines such as risk management guidelines valid throughout the Group – are in place and will be adjusted if required.

The IT systems used for accounting are protected against access by unauthorized persons. The financial systems used largely rely on standard software.

The departments involved in the accountancy process meet the quantitative and qualitative requirements. They have suitable equipment and the personnel involved hold the necessary qualifications. Checks are regularly made on the basis of random samples and plausibility checks to ascertain that the data used for accounting is complete and correct, using both manual checks and software. A risk controller is established at each segment level to support the risk management process at segment level and ensure that data is plausible.

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

The principle of dual control is consistently applied to all processes relating to the accounting process. Areas covered by the Supervisory Board include issues relating to key accounting, risk management, the audit assignment and the key points on which it is to focus.

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

The internal control and risk management system in respect of the accounting process ensures that corporate information is properly recorded, prepared and evaluated in the balance sheet and then adopted in the external accounting system. In particular, the standardized risk management system within the Group needs to identify risks at an early stage, assess them and communicate these in an appropriate manner. This will ensure that the recipients of the report will be provided with appropriate, relevant and reliable information promptly. The clear organizational, corporate, control and monitoring structure and the adequate resources devoted to accounting, in terms of both personnel and equipment, provide the basis for efficient work in the areas involved in the accountancy process. Clear statutory and internal company specifications and guidelines ensure that a standardized and proper accountancy process is used. The clearly defined verification mechanisms within the areas involved in

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the accountancy process itself, in particular the principle of dual control, audits by the controlling department and early identification of risks by the risk management department, ensure that the accountancy process is coherent and error-free.

Apart from REALTECH AG itself, the internal system of controls and the risk management system cover all subsidiaries relevant for the consolidated financial statements, including all processes relevant for producing the financial statements.

The internal control and risk management system therefore guarantees that REALTECH AG and all the companies involved in the consolidated financial statements use standardized systems right across the group, which are consistent with both legal and statutory requirements and internal guidelines.

Control systems

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

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

INFORMATION CONCERNING TAKEOVERS

REALTECH AG is required to provide disclosures in accordance with the catalog in Section 315, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB) and explanations in accordance with Section 176, paragraph 1 of the German Stock Corporation Act (Aktiengesetz, AktG) for the past fiscal year (2010). To meet this requirement, the company is providing the following information:

Issued capital is made up as follows: the company's issued capital amounts to EUR 5,349,152.00, and is split into 5,349,152 no-par value shares. The shares are in the name of the holder. There are no shares with special rights (Section 315, paragraph 4, point 4 of the German Commercial Code).

The equity investments 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 General Meeting. The authority to make changes that only concern wording can be transferred by the General Meeting to the Supervisory Board. This authority is granted to the Supervisory Board in Section 10.2 of the Articles of Association.

The company's issued capital has been conditionally increased by issuing up to 253,500 new shares. Accordingly, the conditional capital is EUR 253,500.00 according to the commercial register entry on February 16, 2010. The 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 General Meeting on May 16, 2002, make use of conversion rights/ obligations or options.

Due to the expiry of conversion rights in the 2008 to 2010 fiscal years, contingently issuable capital has decreased by EUR 33,800.00, which has not yet been entered in the commercial register. The company's contingently issuable capital on the balance sheet date amounted to EUR 166,500.00 (1,665 bonds each consisting of 100 shares).

As of the end of the day of the General Meeting on May 21, 2010, in accordance with Section 71, paragraph 1, point 8 of the Stock Corporation Act (AktG), the company was authorized to purchase treasury shares amounting to up to 10 percent of issued capital (EUR 5,295,952.00 at this point in time) up until May 20, 2015 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 issued capital.

The company is not aware of any restrictions as defined by Section 315, paragraph 4, point 2 of the German Commercial Code (HGB). There are no employee-participation schemes that are subject to voting right controls. There are no contracts as defined by Section 315, paragraph 4, point 8 (Change of Control) of the German Commercial Code (HGB). No compensation agreements exist as defined by Section 315, paragraph 4, point 9 of the German Commercial Code (HGB).

CORPORATE GOVERNANCE REPORT

The term corporate governance stands for responsible and transparent company management and control that aims to create long-term added value. These principles have long been the basis for our decision-making and control processes.

In the REALTECH AG Management Report, the Executive Board provides the following declaration on the management of the company, in accordance with Section 289a of the German Commercial Code (HGB); with this declaration, the company simultaneously produces a report in accordance with Item 3.10 of the German Corporate Governance Code.

DECLARATION ON THE MANAGEMENT OF THE COMPANY

Declaration of compliance 2010

In December 2010, the Executive and Supervisory Boards of REALTECH AG made the following declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG).

"The Executive and Supervisory Boards declare that REALTECH AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code dated June 18, 2009 since its last declaration of compliance was made and that it has complied with the version from May 26, 2010 since it came into effect and will continue to comply with this version. This applies subject to the exceptions listed below:

The Supervisory Board has not stated any concrete objectives regarding its composition that, taking account of the company-specific situation, consider the company's international activities, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity and, in particular, which provide for an appropriate quota of women (Code Item 5.4.1 Paragraph 2). As long as such objectives have not been set, they are not taken into account for nominations for election to the Supervisory Board and the objectives and status of implementation are not published in the Corporate Governance Report (Code Item 5.4.1 Paragraph 3).

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Reason: The Supervisory Board has already specified an age limit for its members in the past and takes account of this for election nominations. At the time of this declaration on compliance, the Supervisory Board is still investigating whether it plans to specify concrete objectives and which objectives would make sense considering our company's particular situation. As the specification of further concrete objectives has not (yet) been performed, such specifications cannot currently be taken into account for election nominations and the objectives and status of implementation cannot be published in the Corporate Governance Report.

More than two former members of the Executive Board belong to the Supervisory Board. (Item 5.4.2, Sentence 3 of the Code).

Reason: We believe that a rule of this kind would restrict the rights of shareholders to vote for members of the Supervisory Board in a manner that is inappropriate for our company.

Remuneration of members of the Supervisory Board is not disclosed individually in the Corporate Governance Report, broken down into components (Item 5.4.6, (3) of the Code).

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

Walldorf, December 14, 2010.

For the Supervisory Board of REALTECH AG	For the Executive Board of REALTECH AG
Signed, Daniele Di Croce	Signed, Nicola Glowinski Signed, Dr. Rudolf Caspary

Notes on management practices

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

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

How the Executive and Supervisory Boards operate – dual management structure

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

Close cooperation between the Executive and Supervisory Boards

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

The Executive Board develops strategic proposals, agrees these with the Supervisory Board and then ensures that these are implemented. In the case of detailed defined measures of great significance such as extensive investments, the rules of procedure for the Executive Board require the approval of the Supervisory Board. The Supervisory Board has also defined its own rules of procedure for its work. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the Board in public. The report by the Supervisory Board provides a summary of the nature and scope of the Supervisory Board's work during the 2010 fiscal year.

Disclosure of conflicts of interest

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

Checking the efficiency of the Supervisory Board's work

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

More efficient work without committees

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

Composition of the Executive and Supervisory Boards

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

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

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At the present time, REALTECH AG's Supervisory Board is made up of three members who were previously members of the Executive Board.

The term of office of the Supervisory Board members ends with the conclusion of the General Meeting at which formal approval is given for the directors' actions during the fiscal year ending on December 31, 2011.

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

Directors' dealings in fiscal year 2010

In accordance with Section 15a of the German Securities Trading Act (WpHG), company managers have to disclose when they purchase or sell shares in REALTECH AG or instruments that relate to these, if a minimum threshold of EUR 5,000 is reached in a calendar year. In the 2010 fiscal year, transactions at REALTECH AG that required reporting were as listed in Table 1.

	Nicola Glowinski	Dr. Rudolf Caspary
Status	Executive Board	Executive Board
Trading day/ Stock exchange	19.05.2010 Off-market	19.05.2010 Off-market
Name of the financial instrument	Convertible bond	Convertible bond
ISIN	DE0007008906	DE0007008906
Price (EUR)	4,65	5,87
Number	9.000	5.000
Transaction volumes (EUR)	41.850	29.350
Explanation	Conversion of convertible bonds as part of the CB-Program 2005	Conversion of convertible bonds as part of the CB-Program 2006

Shareholding in the Executive and Supervisory Boards

The number of shares held directly or indirectly (as defined by Section 15a of the German Securities Trading Act – WpHG) by members of the Executive and Supervisory Boards or financial instruments that relate to these is greater than 1 percent of the issued shares.

Executive Board	Number of shares as of 31.12.2010	In % of all issued shares
Dr. Rudolf Caspary	34.000	0,64
Nicola Glowinski	24.000	0,45
	66.000	**1,23**

Supervisory Board	Number of shares as of 31.12.2010	In % of all issued shares
Daniele Di Croce	885.500	16,55
Rainer Schmidt	765.500	14,31
Peter Stier	745.500	13,94
	2.396.500	**44,80**

Shareholders and the General Meeting

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

Transparent communications

REALTECH AG provides extensive reports each quarter on business development and the situation in respect of income, finance and assets. In addition, the public is informed about developments at the company, using a variety of media. Insider information, which could have a considerable impact on the share price, is published immediately as ad hoc reports. REALTECH AG's website is an important tool for informing the shareholders, investors and general public. Here the company provides its financial reports as well as its ad hoc reports and other press releases in German and English. The financial calendar provides information on important dates.

Accounting and auditing

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

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REMUNERATION REPORT

Remuneration of the Executive Board members

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

Remuneration structure

In view of the legislation which came into force on August 5, 2009 concerning the appropriateness of Executive Board Remuneration, the Supervisory Board has reviewed the remuneration structure of the Executive Board and made changes in the area of variable remuneration. The focus was on the incentive to create value for the company over the long term, with an appropriate overall remuneration package and the creation of variable remuneration reflecting REALTECH AG's business model, which concentrates on consultancy. The modified remuneration system has been valid for all Executive Board members since the start of the 2010 fiscal year.

The overall remuneration package of the Executive Board is performance-oriented. It consists of two components: remuneration not linked to targets (fixed salary) and success-based remuneration (bonuses). The fixed salary is paid on a monthly basis.

A bonus amounting to 3.5 percent of Group EBIT, adjusted for special effects, after minority holdings is granted, providing Group EBIT in the relevant fiscal year is at least EUR 2 million. Maximum variable remuneration is EUR 500 thousand. The bonus is due as of the close of the General Meeting in the subsequent fiscal year.

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

The Supervisory Board is of the opinion that a more extensive arrangement on the long-term nature of the variable remuneration would not result in any further advantages, bearing in mind REALTECH AG's business model. The majority of REALTECH AG's revenues are still generated by the consultancy business. This requires all employees and the Executive Board to have the ability to respond very quickly to continuously changing markets and customer situations. The main aspect of daily decision-making processes is purely the benefit provided for customers, with a view to making maximum use of the consultants' capacity, whilst also charging out consultants at the highest possible daily rates. Consequently, this is hardly amenable to medium-term planning. If this used as the basis for measurement with variable remuneration, it could even be counterproductive when it comes to operative decision-making processes. A remuneration structure that is primarily determined by the annual Group EBIT yet with relatively low fixed remuneration means that a substantial proportion of personnel costs become variable costs that depend on profit. This is a remuneration structure, which has been successfully applied at all levels of REALTECH AG over many years and, consequently, should also be used at Executive Board level.

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

The Executive and Supervisory Boards presented the remuneration system at the General Meeting on May 21, 2010 in accordance with Section 120, paragraph 4 of the German Stock Corporation Act (AktG). The General Meeting approved the company's remuneration system with a large majority of around 99.98 % of the votes cast.

Leaving the Executive Board

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

Remuneration in fiscal year 2010

Remuneration received by the Executive Board in fiscal year 2010 totaled EUR 802 thousand (compared to EUR 491 thousand in the previous year). The portion not linked to targets (including non-monetary benefits from company cars and social security allowances) was EUR 480 thousand (previous year: EUR 444 thousand) while variable remuneration totaled EUR 271 thousand (previous year: EUR 0 thousand). Share-based payments amounted to EUR 51 thousand (previous year: EUR 47 thousand). As in 2009, no options where granted in fiscal year 2010.

The Executive Board were last granted convertible bonds in the 2006 fiscal year within the validity of the then valid remuneration system in line with the provisions of the convertible bond decision reached by the REALTECH General Meeting on May 16, 2002, which entitles the holders to exchange bonds for shares in the company (100 shares per convertible bond). You will find more information on convertible bonds in Item 14 of the Notes to the Consolidated Financial Statements. The Chief Executive Officer, Nicola Glowinski, held 70,000 convertible bonds on December 31, 2010 and Dr. Rudolf Caspary held 35,000.

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

Remuneration of the Supervisory Board members

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

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

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

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

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

Remuneration received by the Supervisory Board in fiscal year 2010 totaled EUR 144 thousand (previous year: EUR 72 thousand). The fixed portion was EUR 45 thousand (previous year: EUR 45 thousand), while variable remuneration (including attendance fees and travel expenses) amounted to EUR 99 thousand (previous year: EUR 27 thousand).

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

RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

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 net assets, financial position and earnings 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, March 10, 2011
REALTECH AG
The Executive Board

20:30 Uhr

1

Bayrischer Rundfunk

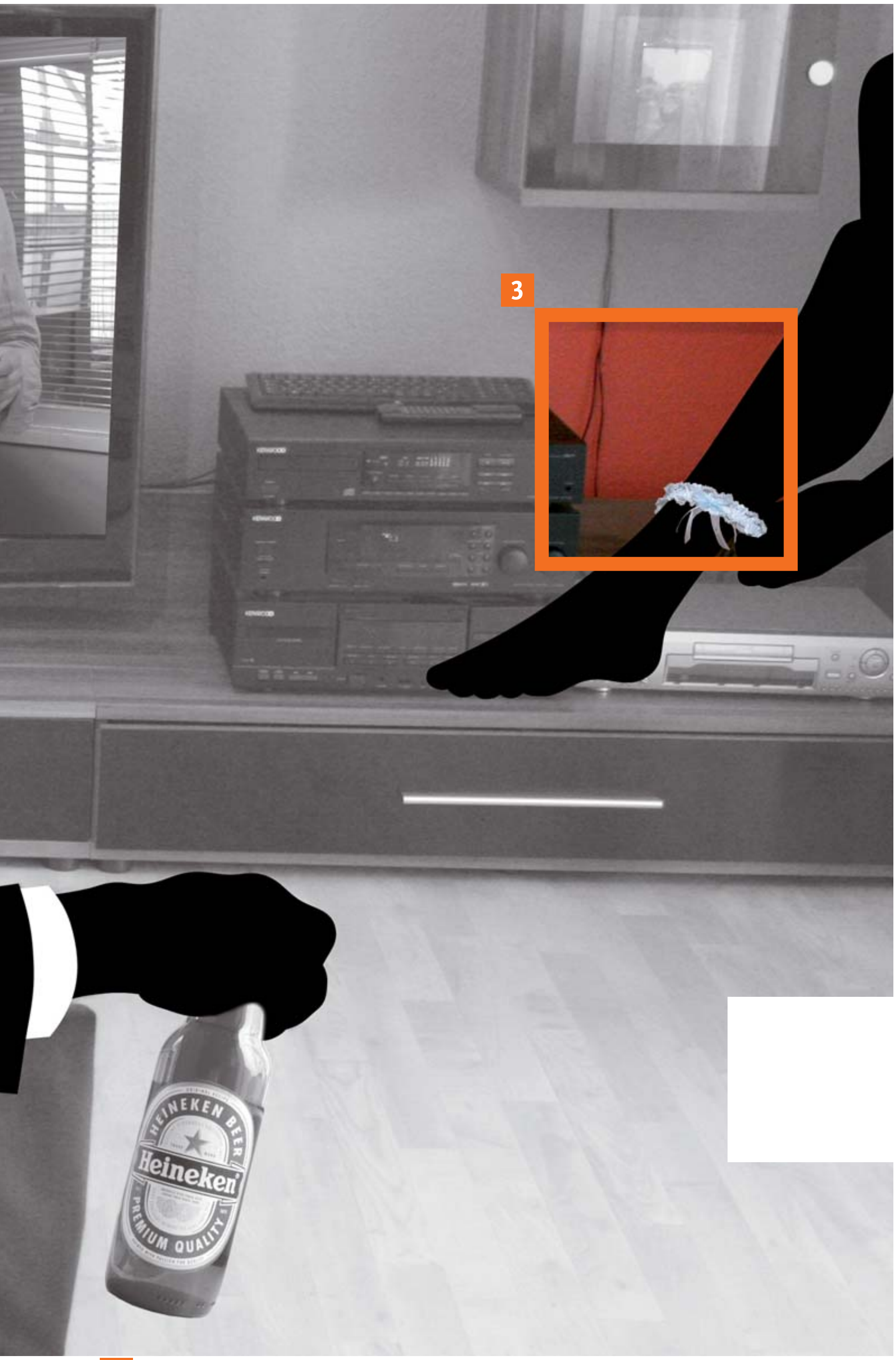
We have been using REALTECH's theGuard! management software for some time now. It checks the most important servers and all active network components for availability.

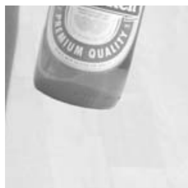
Holger Harling, DS Data Systems/Bayerischer Rundfunk

2

Bauer Verlagsgruppe

Since the Bauer Media Group consistently automated software distribution within its SAP systems using theGuard! TransportManager, significant gains in efficiency, control and quality have been achieved.





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Triumph

Triumph

"Thanks to the functions of IM/3 in the areas of business process monitoring and exception handling, we were able, despite a very high number of messages, to connect our regional automatic warehouses so transparently and securely to the central SAP system that the specialist departments could take over the complete operation of the interfaces."

Manfred Braml, CIO Triumph International

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Continuing oprerations	Notes	2010 EUR	2009 EUR
Revenue	(17)	52.519.242	48.702.927
Cost of sales		32.095.411	29.865.443
Gross profit		**20.423.831**	**18.837.484**
Selling and marketing expenses		7.637.271	7.413.036
Administrative expenses		5.276.574	5.595.328
Research and development expenses		3.622.673	3.845.068
Other operating expenses	(19)	1.263.259	1.237.792
Other operating income	(20)	1.740.717	1.824.733
Operating profit		**4.364.769**	**2.570.993**
Net interest	(21)	80.315	85.188
Income from financial assets and securities		0	(81.765)
Foreign currency exchange gains/(loss)		62.123	(113.860)
Profit before tax from continuing operations		**4.507.207**	**2.460.556**
Income tax expenses		2.531.042	877.264
Profit for the year from continuing operations		**1.976.165**	**1.583.292**
Discontinued operations			
Loss after tax for the year from discontinued operations	(8)	(3.416.306)	(277.905)
Profit for the year		**(1.440.141)**	**1.305.386**
Attributable to			
- Equity holders of the parent		(1.453.649)	1.202.631
- Non-controlling interests		13.508	102.755
Other comprehensive income for the year, net of tax		**491.862**	**521.517**
Net gain on available-for-sale financial assets		0	479.130
Exchange differences on translation of foreign operations		491.862	91.213
Attributable to			
- Equity holders of the parent		341.849	570.343
- Non-controlling interests		150.013	(48.826)
Total comprehensive income for the year, net of tax		**(948.279)**	**1.826.903**
Attributable to			
- Equity holders of the parent		(1.111.800)	1.772.974
- Non-controlling interests		163.521	53.929
Accumulated profit carried forward		8.908.687	10.349.783
Dividend payment		2.667.976	2.643.726
Withdrawal from additional paid-in capital		2.741.796	0
Retained earnings		**7.528.858**	**8.908.687**
Average number of shares outstanding – basic		5.322.552	5.278.202
Average number of shares outstanding – diluted		5.489.052	5.517.402
Earnings per share – basic	(23)	(0,27)	0,23
Earnings per share – diluted	(23)	(0,26)	0,22
Earnings per share from continuing operations – basic	(23)	0,37	0,30
Earnings per share from continuing operations – diluted	(23)	0,36	0,29

CONSOLIDATED STATEMENT OF CASH FLOWS

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	2010 EUR	2009 EUR
Profit for the year	**(1.440.141)**	**1.305.386**
Income tax expense	3.605.150	941.361
Net interest	(80.315)	(45.073)
Depreciation of fixed assets	967.848	1.133.045
Change in asset disposals	299.392	410.949
Change in income tax payable	(173.671)	(831.952)
Income tax paid	(410.720)	(412.706)
Change in provisions	(1.660.278)	(3.160.156)
Change in trade receivables	1.277.592	6.038.510
Change in other assets	439.329	(279.755)
Change in trade accounts payable and in other current liabilities	(77.388)	(582.976)
Proceeds from interests	81.217	67.406
Payment for interests	(902)	(22.333)
Non-cash change	(524.734)	592.131
Cash flow from operating activities	**2.302.377**	**5.051.082**
Purchase of intangible assets	(258.046)	(704.831)
Purchase of tangible assets	(580.323)	(975.349)
Investment in financial assets	(40.408)	(15.983)
Change in current securities	0	1.118.737
Cash flow from investing activities	**(878.777)**	**(577.426)**
Change in dividends	(2.667.976)	(2.643.726)
Change in convertible bonds	301.304	156.815
Cash flow from financing activities	**(2.366.672)**	**(2.486.911)**
Change in cash and cash equivalents	**(943.071)**	**1.986.745**
Cash and cash equivalents at beginnig of the period	**7.303.952**	**5.317.207**
Cash and cash equivalents at end of the period	**6.360.881**	**7.303.952**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31.12.2010 EUR	31.12.2009 EUR
Non-current assets			
Intangible assets	(6)		
Concessions, industrial rights and similar rights and assets		619.585	642.318
Goodwill		4.269.654	4.335.679
		4.889.239	**4.977.997**
Tangible assets	(6)		
Property, plant and equipment		7.233.141	7.462.665
Technical equipment and machines		34.637	52.418
Other equipment and office equipment		1.258.564	1.460.409
		55.122	0
		8.581.464	**8.975.492**
Financial assets	(6)		
Other financial assets		199.174	145.256
Other loans		40.406	0
		239.580	**145.256**
Deferred tax assets	(14)	**1.237.344**	**217.647**
		14.947.627	**14.316.392**
Current assets			
Receivables and other assets			
Trade receivables	(9)	16.711.920	17.989.512
Income tax receivables	(14)	3.600.176	511.149
Other financial assets	(10)	200.924	541.160
Other assets	(11)	508.006	692.556
		21.021.026	**19.734.377**
Cash and cash equivalents		**6.360.881**	**7.303.952**
		27.381.907	**27.038.329**
Total assets		**42.329.534**	**41.354.721**

EQUITY AND LIABILITIES	Notes	31.12.2010 EUR	31.12.2009 EUR
Equity	(12)		
Issued capital		5.349.152	5.295.952
(Authorized capital EUR 166.500,00; py: EUR 239.200,00)			
Additional paid-in capital		10.962.197	13.455.889
Other comprehensive income		468.203	126.354
Retained earnings		7.528.858	8.908.687
		24.308.410	**27.786.882**
Non-controlling interest	(13)	**942.297**	**778.776**
		25.250.707	**28.565.658**
Non-current liabilities	(14)		
Deferred tax liability		**386.788**	**383.687**
Current liabilities			
Trade payables	(16)	1.459.210	1.925.525
Income tax payables	(14)	6.469.659	445.330
Provisions	(15)	4.022.236	5.682.514
Other financial liabilities	(16)	109.087	50.567
Other liabilities	(17)	4.631.847	4.301.440
		16.692.039	**12.405.376**
Total equity and liabilities		**42.329.534**	**41.354.721**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common stock Number	Issued capital EUR	Additional paid-in capital EUR	
December 31, 2008	**5.260.452**	**5.260.452**	**13.334.574**	
Profit of the year	35.500	35.500		
Net gain on available-for-sale financial assets				
Exchange differences on translation of foreign operations				
Total comprehensive income				
Dividend payment				
Execution of stock options and convertible bonds	35.500	35.500	121.315	
December 31, 2009	**5.295.952**	**5.295.952**	**13.455.889**	
Profit of the year				
Exchange differences on translation of foreign operations				
Total comprehensive income				
Dividend payment				
Execution of stock options and convertible bonds	53.200	53.200	248.104	
Withdrawal from additional paid-in capital			(2.741.796)	
December 31, 2010	**5.349.152**	**5.349.152**	**10.962.197**	

	Other comprehensive income EUR	Retained earnings EUR	Equity attributable to equity holders of the parent EUR	Non-controlling interest EUR	Total equity EUR
	(443.989)	**10.349.782**	**28.500.819**	**724.847**	**29.225.666**
		1.202.631	1.202.631	102.755	1.305.386
	479.130		479.130		479.130
	91.213		91.213	(48.826)	42.387
	570.343	**1.202.631**	**1.772.974**	**53.929**	**1.826.903**
		(2.643.726)	(2.643.726)		(2.643.726)
			156.815		156.815
	126.354	**8.908.687**	**27.786.882**	**778.776**	**28.565.658**
		(1.453.649)	(1.453.649)	13.508	(1.440.141)
	341.849		341.849	150.013	491.862
	341.849	**(1.453.649)**	**1.111.800**	**163.521**	**(948.279)**
		(2.667.976)	(2.667.976)		(2.667.976)
			301.304		301.304
		2.741.796			
	468.203	**7.528.858**	**24.308.410**	**942.297**	**25.250.707**

NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING 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, 2010 have been taken into account. The figures for the previous year were also determined based on the same standards.

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 to the contrary, all amounts are specified in thousand euros. 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 and Japan. 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.

Mandatory standards and interpretations not yet applied

Up to the date of preparation of the consolidated financial statements as of December 31, 2010, the following new and changed standards and interpretations were passed. However, they take effect at a later point in time and have not been prematurely applied in these consolidated financial statements. The consequences for the company's consolidated financial statements have not yet been fully analyzed, meaning that the expected effects presented in the footnotes to the following table merely represent an initial estimate.

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Standard/interpretation	FN	To be applied for fiscal year as of	Planned initial application as of
Adoption of IFRIC 19 and the amendments to IFRS 1	1,2	June 30, 2010	January 1, 2011
Adoption of the amendments to IFRIC 14	1,2	December 31, 2010	January 1, 2011
Adoption of the revised IAS 24 and the amendments to IFRS 8	1,2	December 31, 2010	January 1, 2011
Adoption of the amendments to IFRS 1 and IFRS 7	1,2	June 30, 2010	January 1, 2011
Adoption of the amendments to IAS 32	1,2	January 31, 2010	January 1, 2011
Adoption of the amendments to IFRS 9	1,2	December 31, 2012	January 1, 2013

1) No noteworthy consequences for the consolidated financial statements are expected.

2) Additional/modified notes to the consolidated financial statements are mainly expected.

The accounting policies applied correspond to the methods used the previous year. The consolidated financial statements are also based on the standards passed by the German Accounting Standards Board (GASB) and announced by the Federal Ministry of Justice in accordance with Section 342, paragraph 2 of the German Commercial Code.

New standards and interpretations applicable in the year under review

The new standards applicable in the year under review

- Adoption of the amendments to IFRS 1 (Additional Exemptions for First-time Adopters)
- Adoption of the amendments to IFRS 2 (Share-based Payment)
- Adoption of the improvements to IFRS (IASB April 2009)
- Adjustment to Regulation 1126/2008 – IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)
- Adoption of IAS 1 (revised in 2007) – adjustment (Presentation of Financial Statements)
- Adoption of IFRIC 17 (Distributions of Non-cash Assets to Owners)
- Adoption of IFRIC 18 (Transfer of Assets from Customers)
- Adoption of the amendments to IAS 39 (Financial Instruments – Eligible Hedged Items)
- Adoption of amended IFRS 7 (Financial Instruments – Recognition and Measurement or Disclosures)
- Adoption of IFRIC 15 (Agreements for the Construction of Real Estate)
- Adoption of the amendments to IAS 27 (Consolidated and Separate Financial Statements)
- Adoption of revised IFRS 3 (Business Combinations)
- Adoption of IFRIC 16 (Hedges of a Net Investment in a Foreign Operation)
- Adoption of IFRIC 12 (Service Concession Arrangements)
- Adoption of improvements to IFRS

did not have any material effects on the company's consolidated financial statements, apart from additional disclosure obligations.

2. Scope of consolidated financial statements

The scope of consolidated financial statements of REALTECH AG, Walldorf, contains all subsidiaries in which the parent company holds a direct majority of voting rights:

- REALTECH Verwaltungs GmbH, Walldorf, Germany, 100%
- REALTECH Software Products GmbH, Walldorf, Germany, 100%
- REALTECH Consulting GmbH, Walldorf, Germany, 100%
- REALTECH Services GmbH, Walldorf, Germany, 100%
- GloBE Technology GmbH, Walldorf, Germany, 100%
- REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lisbon, Portugal, 100%
- REALTECH System Consulting S.L., Madrid, Spain, 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 scope of consolidated financial statements has changed compared to December 31, 2009 to the effect that the REALTECH Italia S. p. A. subsidiary in Agrate Brianza was sold in December 2010 as part of a management buy-out (MBO).

Of the German subsidiaries with the legal form of a corporation, REALTECH Consulting GmbH, REALTECH Software Products GmbH, REALTECH Services GmbH and REALTECH Verwaltungs GmbH – each with their headquarters in Walldorf – fulfilled the requirements stipulated in Section 264, paragraph 3 of the German Commercial Code (HGB) 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 the 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 acquisition date, while deconsolidation is carried out at the disposal date. 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 acquisition method. The cost of the interests acquired is offset against the proportionate equity of the subsidiary at the acquisition date. Where no substantial differences exist between the fair value and the recognized value of assets and liabilities, remaining positive differences are recognized in the consolidated financial statements 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 deducted directly from equity with no effect on profit or loss and is shown separately there (currency translation adjustments).

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. Scheduled depreciations are, for the most part, shown under general administrative expenses.

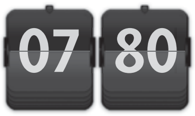
Intangible assets essentially comprise software and acquired goodwill. The regular useful life of software is three years.

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. A discounting rate of 12 percent is applied. The data from corporate planning, approved by management and the supervisory bodies, is used. 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. It has been assumed that EBIT will remain constant in subsequent years. The business segments consulting (Germany) and software (Germany) are defined as cash-generating units in accordance with IAS 36.80 (b). The goodwill of EUR 4,270 thousand (previous year; EUR 4,336 thousand) recognized on December 31, 2010 is made up of EUR 2,536 thousand from the consulting segment and EUR 1,734 thousand from the software segment. In the scope of the deconsolidation of the Italian subsidiary, goodwill of EUR 66 thousand has been lost in the consulting segment. In the overall income statement, this was shown under post-tax profit or loss of discontinued operations.

Tangible assets

Tangible assets are recognized at cost less usage-based depreciation. A useful life of between 3 and 10 years is defined for movable Tangible assets. Buildings are subject to straight-line depreciation over 40 years. Land is not subject to depreciation.

Write-downs on Tangible assets are carried out in accordance with IAS 36, as long as the recoverable amount of the asset is lower 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. Borrowing costs are shown as an expense because there are no qualified assets as defined by IAS 23.



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.

Financial assets

The company has financial assets solely in the loans and receivables categories. These are measured at amortized cost.

Loans and 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. Updating took place on the trading day.

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 financial assets are measured at cost. They are written down to the respective market price.

Allowances

Allowances are shown on a separate allowances account. An asset's carrying amount is reduced, or an asset is derecognized, when the asset is considered to be definitively uncollectible.

Other assets

Other assets are measured at amortized cost.

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 on hand, bank balances and fixed deposits with terms of up to 3 months. If securities are included here, this refers only to 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 classes all short-term securities as available for sale. These items are measured on the balance sheet date at market value, with value changes recognized under other income with no effect on profit or loss.

Liabilities

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

All financial liabilities are measured at amortized cost.

Provisions

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

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

Use of estimates

Estimates and assumptions must be made in the consolidated financial statements to a certain extent. 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.

The estimates essentially relate to the goodwill (EUR 4,270 thousand, previous year EUR 4,336 thousand), tangible assets (EUR 8,582 thousand, previous year EUR 8,976 thousand), deferred tax assets (EUR 1,237 thousand, previous year EUR 218 thousand), trade receivables (EUR 16,712, previous year EUR 17,990 thousand), income tax receivables (EUR 3,600 thousand, previous year EUR 511 thousand) and provisions (EUR 4,022 thousand, previous year EUR 5,683 thousand) presented in the financial position.

The process of determining the recoverable amount for a cash-generating unit requires estimates to be made by the management. The methods used for determining the value in use include methods based on discounted cash flows. The estimates, including the methods used, may have a significant effect on the determination of the value in use, and ultimately on the level of amortization of goodwill.

The measurement of tangible assets and intangible assets involves estimating the expected useful lives of the assets. The value in use of assets is determined based on assessments made by the management.

In conjunction with determining the impairment of tangible assets and intangible assets, estimates are made based on aspects such as the cause, point in time and level of the impairment. Impairments are based on a number of factors. The main factors taken into account are changes in current competition conditions, expectations regarding growth in the IT sector, increases in capital expenditure, a change in the future availability of funds, technological obsolescence, the discontinuation of services, current replacement costs, purchase prices paid in similar transactions and other changes affecting the business environment that point to a decrease in value. As a rule, the recoverable amount and value in use are determined using the discounted cash flow method, which incorporates appropriate assumptions by market participants. The identification of factors indicating an impairment, the estimation of future cash flows and the determination of value in use of assets involve significant estimates that management has to make with regard to the identification and verification of signs of impairment, expected cash flows, appropriate discount rates, respective useful lives and residual values. If the demand for products and services does not develop as expected, this will reduce revenues and cash flows, and may lead to impairment losses in connection with the depreciation of these investments to the values calculated. This could have a negative effect on the future earnings situation.

The company's management establishes allowances for doubtful debts in order to account for the expected losses resulting from customers' inability to pay. The factors used by management as a basis for assessing the appropriateness of allowances for doubtful debts are the due date structure of accounts receivable balances, experience relating to the derecognition of receivables in the past, the creditworthiness of customers and changes to payment terms. If the financial situation of customers worsens, the level of actual derecognition may exceed the expected derecognition level.

Income tax expenses and deferred taxes must be estimated for every tax jurisdiction in which the Group operates. The expected actual income tax must be calculated for each subject of taxation, and the temporary differences resulting from the differences between the IFRS consolidated financial statements and tax-based accounting with regard to the treatment of certain balance sheet items must be assessed. Where temporary differences exist, they give rise to the recognition of deferred tax assets and liabilities in the consolidated financial statements. The company's management must make assessments when calculating actual and deferred taxes. Deferred tax assets are recognized to the extent that it is probable that they can be utilized. The utilization of deferred tax assets depends on the possibility of obtaining a sufficient level of taxable income in conjunction with the respective tax type and tax jurisdiction, taking into account any legal restrictions regarding the maximum loss carryforward period. Various factors must be taken into account when assessing the probability of the future usability of deferred tax assets, such as past earnings, operational planning, loss carryforward periods and tax planning strategies. If the actual results deviate from these estimates, or if the estimates need to be adjusted in future periods, this could have a negative impact on the company's net assets, financial position and earnings. If the recoverability assessment for deferred tax assets changes, the level of deferred tax assets recognized must be decreased in the income statement.

Revenue

REALTECH AG's revenue essentially involves revenue from service contracts, granting software licenses (usually for an unlimited period of time) and closely-related services, as well as maintenance revenue. The breakdown of revenue is determined from segment reporting.

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.

Revenue 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 revenue 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.

Revenue resulting from issuing licenses with no time restriction is only accounted for when 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.

Revenue resulting from the maintenance business is accounted for proportionately over the period during which the service is rendered. Revenue is presented less cash discounts, price reductions, customer bonuses and discounts.

Cost of sales

Cost of sales comprises full production-related costs based on normal capacity utilization. Specifically, costs of sales includes direct costs that are directly attributable to orders – essentially for personnel – as well as fixed and variable indirect costs, 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. These expenses remain immaterial with regard to their amount.

NOTES ON THE CONSOLIDATED FINANCIAL POSITION AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6. Non-current assets

Non-current assets changed as follows in the 2010 fiscal year:

	Acquisition and manufacturing cost					
	01.01.2010 TEUR	Additions TEUR	Disposals TEUR	Price diffe-rences from translation TEUR	Decon-solidation TEUR	31.12.2010 TEUR
Concessions, industrial property rights and similar rights and assets	2.603	258	0	1	413	2.449
Goodwill	7.075	0	66	0	0	7.009
Intangible assets	**9.678**	**258**	**66**	**1**	**413**	**9.458**
Land, land rights and buildings	9.745	22	0	18	0	9.785
Machinery	226	6	7	32	0	257
Other equipment, operating and office equipment	8.689	497	197	62	1.532	7.519
Payments on account and assets under construction	0	55	0	0	0	55
Tangible assets	**18.660**	**580**	**204**	**112**	**1.532**	**17.616**
Other financial assets	136	91	4	17	40	200
Other loans	0	0	0	0	1.400	1.400
Financial assets	**136**	**91**	**4**	**17**	**1.440**	**1.600**
	28.474	**929**	**274**	**130**	**3.385**	**28.674**

	Accumulated depreciation						Net book values	
	01.01.2010 TEUR	Additions TEUR	Disposals TEUR	Price differences from translation TEUR	Deconsolidation TEUR	31.12.2010 TEUR	31.12.2010 TEUR	31.12.2009 TEUR
	1.961	266	0	0	397	1.830	619	642
	2.739	0	0	0	0	2.739	4.270	4.336
	4.700	**266**	**0**	**0**	**397**	**4.569**	**4.889**	**4.978**
	2.282	265	0	0	0	2.552	7.233	7.463
	174	25	0	0	0	222	35	52
	7.228	411	19	0	1.412	6.260	1.259	1.461
	0	0	0		0	0	55	0
	9.684	**701**	**19**	**80**	**1.412**	**9.034**	**8.582**	**8.976**
	(9)	0	0	0	(10)	1	199	145
	0	0	0	0	1.360	1.360	40	0
	(9)	**0**	**0**	**0**	**1.360**	**1.361**	**239**	**145**
	14.375	**967**	**19**	**80**	**1.799**	**14.964**	**13.710**	**14.099**

Non-current assets changed as follows in the 2009 fiscal year:

	Acquisition and manufacturing cost				
	01.01.2009 TEUR	Additions TEUR	Disposals TEUR	Price differences from translation TEUR	31.12.2009 TEUR
Concessions, industrial property rights and similar rights and assets	2.290	705	391	(1)	2.603
Goodwill	7.075	0	0	0	7.075
Intangible assets	**9.365**	**705**	**391**	**(1)**	**9.678**
Land, land rights and buildings	10.140	363	756	(2)	9.745
Machinery	222	24	11	(9)	226
Other equipment, and office equipment	8.907	588	813	7	8.689
Tangible assets	**19.269**	**975**	**1.580**	**(4)**	**18.660**
Other financial assets	128	16	0	(8)	136
Financial assets	**128**	**16**	**0**	**(8)**	**136**
	28.762	**1.696**	**1.971**	**(13)**	**28.474**

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	Accumulated depreciation					Net book values	
	01.01.2009 TEUR	Additions TEUR	Disposals TEUR	Price diffe-rences from translation TEUR	31.12.2009 TEUR	31.12.2009 TEUR	31.12.2008 TEUR
	1.964	157	160	0	1.961	642	326
	2.739	0	0	0	2.739	4.336	4.336
	4.703	**157**	**160**	**0**	**4.700**	**4.978**	**4.662**
	2.706	334	757	(1)	2.282	7.463	7.434
	154	34	9	(5)	174	52	68
	7.262	608	636	(6)	7.228	1.461	1.645
	10.122	**976**	**1.402**	**(12)**	**9.684**	**8.976**	**9.147**
	(9)	0	0	0	(9)	145	137
	(9)	**0**	**0**	**0**	**(9)**	**145**	**137**
	14.816	**1.133**	**1.562**	**(12)**	**14.375**	**14.099**	**13.946**

7. Share ownership

On December 31, 2010, REALTECH AG directly held interests of at least 20 percent in the following companies:

On Dec 31, 2010 Company name and location	Share of capital %	Equity 31.12.2010 TEUR	Net income 2010 TEUR
REALTECH Verwaltungs GmbH, Walldorf, Germany	100,0	26	2.011 1)
REALTECH Consulting GmbH, Walldorf, Germany	100,0	26	340 1)
REALTECH Services GmbH, Walldorf, Germany	100,0	163	107 1)
REALTECH Software Products GmbH, Walldorf, Germany	100,0	39	663 1)
GloBE Technology GmbH, Walldorf, Germany	100,0	246	3
REALTECH System Consulting S.L., Madrid, Spain	100,0	2.712	344
REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lisbon, Portugal	100,0	701	172
REALTECH Inc., Malvern, PA, USA	100,0	(324)	188
REALTECH Ltd., Auckland, New Zealand	100,0	1.480	254
REALTECH System Consulting Pte. Ltd., Singapore	100,0	328	(37)
REALTECH Japan Co., Ltd., Tokyo, Japan	54,1	1.109	16

1) There is a profit and loss transfer agreement/recognition before profit and loss.

Transfer delivery and service relationships exist between the associates.

8. Discontinued operations

REALTECH AG sold 100 percent of its shares in REALTECH Italia S.p.A., Agrate Brianza (Milan) by contract dated December 14, 2010, as part of a management buy-out. The sale agreement is final. REALTECH does not hold an ongoing interest in the sold company.

Earnings for REALTECH Italia are as follows:

	2010 TEUR	2009 TEUR
Income	10.574	12.972
Expenses	11.536	12.966
Gross profit on revenue	**(962)**	**7**
Financial expenses	59	39
Tax income	102	(245)
Current earnings	**(919)**	**(277)**
Income from deconsolidation	**(2.498)**	**0**
Loss after tax for the year from discontinued operations	**(3.416)**	**(277)**

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In previous years, REALTECH Italia was predominantly disclosed under the consulting segment of Rest of Europe

The major classes of assets and liabilities of REALTECH Italia are comprised as follows:

	31.12.2010 TEUR	31.12.2009 TEUR
Assets		
Intangible assets	6	16
Tangible assets	95	119
Financial assets	51	51
Receivables	6.231	6.550
Deferred taxes assets	350	28
Cash	281	683
	7.014	7.447
Liabilities		
Trade payables	5.335	5.119
Interest-bearing liabilities	607	0
	5.942	5.119
Net assets directly related to the disposal	**1.072**	**2.328**

The net cash flow of REALTECH Italia is as follows:

	2010 TEUR	2009 TEUR
Cash flow from operating activities	(936)	(798)
Cash flow from investing activities	(74)	(14)
Cash flow from financing activities	607	0
Net cash flow	**(403)**	**(812)**

Earnings per share of REALTECH Italia are as follows:

	2010 TEUR	2009 TEUR
From discontinued operations – basic	(0,66)	(0,05)
From discontinued operations – diluted	(0,64)	(0,05)

9. Trade receivables

	31.12.2010 TEUR	31.12.2009 TEUR
Trade receivables	17.103	18.780
Allowances	391	790
	16.712	**17.990**

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. For years, REALTECH customers have been characterized by a high level of creditworthiness, evidenced by a low bad debt rate. Die Wertberichtigungen erfolgen im Rahmen einer Einzelfallprüfung (339 TEUR, Vorjahr: 747 TEUR) und darüber hinaus im Rahmen eines pauschalierten Verfahrens (52 TEUR, Vorjahr 43 TEUR).

10. Other financial assets (current)

	31.12.2010 TEUR	31.12.2009 TEUR
Advance payments and deposits	21	145
Deferred revenue	180	396
	201	**541**

11. Other assets

	31.12.2010 TEUR	31.12.2009 TEUR
Advance wage and travel cost payments	36	121
Prepaid expenses	307	396
Other	165	176
	508	**693**

As in the previous year, there were no contingent assets on the balance sheet date.

12. Equity

Issued capital

The company's issued capital is fully paid up. The number of no-par value shares issued as per December 31, 2010 amounted to 5,349,152. Each share has an accounting par value of EUR 1.00. 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 2010 by 53,200. The nominal value of share capital increased accordingly by EUR 53,200.

The company's issued capital on the balance sheet date amounted to EUR 5,349,152. The authorized capital expired after May 1, 2009.

Additional paid-in capital

The additional paid-in capital primarily results from payments from the initial public offer, as well as payments from the conversion of convertible bonds.

In the fiscal year 2010, the additional paid-in capital was reduced by EUR 2,741,796. This amount was used to compensate the net loss for 2010, taking into account retained profits.

As a result of the exercising of conversion rights granted as part of the company's various share-based remuneration programs, the additional paid-in capital increased by EUR 248,104 in the fiscal year under review.

Retained earnings

	31.12.2010 TEUR	31.12.2009 TEUR
Accumulated profit carried forward	8.908.687	10.349.782
Net income	(1.453.649)	1.202.631
Dividend payment	2.667.976	2.643.726
Withdrawal from the additional paid-in capital	2.741.796	0
	7.528.858	**8.908.687**

Authorized capital

The company's issued capital has been contingently increased by issuing up to 253,500 new shares. Accordingly, the authorized capital is EUR 253,500.00 according to the commercial register entry on February 16, 2010. The authorized 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 General Meeting on May 16, 2002, make use of conversion rights/obligations or options.

Due to the expiry of conversion rights in the 2009 and 2010 fiscal years, authorized capital has decreased by EUR 24,400.00, which has not yet been entered in the commercial register. The company's authorized capital on the balance sheet date amounted to EUR 166,500.00 (1,665 bonds each consisting of 100 shares).

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

Purchase of treasury shares

As of the end of the day of the General Meeting on May 21, 2010, in accordance with Section 71, paragraph 1, point 8 of the Stock Corporation Act (AktG), the company was authorized to purchase treasury shares amounting to up to 10 percent of share capital (EUR 5,295,952.00 at this point in time) up until May 20, 2015 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. This authorization was not utilized in fiscal year 2010.

Share-based payment

REALTECH AG has set up various convertible bond programs for Executive Board members, senior executives and other employees in the Group. The expense recognized for services during fiscal year 2010 is EUR 13 thousand (previous year: EUR 0 thousand). This concerns expenses resulting from equity-settled share-based payment transactions in accordance with IFRS 2.

The measurement is based on expected volatility of 25.90 percent. It is assumed that future trends can be derived from historical volatilities, whereby the actual volatility may differ from the assumptions made here. The calculation is made based on the Black-Scholes formula. A risk-free interest rate of 3.93% is applied. The anticipated term of these options is five years. The exercise price is EUR 5.87.

Convertible bond program

The contingent 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).

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As in the previous year, no convertible bonds were issued in fiscal year 2010. In fiscal year 2006, convertible bonds were issued with the following conditions:

	2006
Issue date	31.07.2006
Par value	1,00 EUR
Total par value of the convertible bond	3.000 EUR
Term	30.07.2011
Interest p.a.	5,0%
Original conversion price	8,80 EUR
Average closing price	7,34 EUR
Adjusted conversion price	5,87 EUR
Issued options	300.000
Earliest date of conversion	31.07.2008
Latest date of conversion	30.07.2011

The decision was reached at the REALTECH AG General Meeting on May 29, 2008 to increase and subsequently reduce capital for the purpose of repaying an amount of EUR 3.99 per share to shareholders.

As this distribution decreased the company's total assets, the conversion price has been adjusted accordingly (see above table). The lower limit of the adjustment had fallen as a result of the minimum issue price determined by the decision of the General Meeting on May 16, 2002. Here, the General Meeting had decided that the price must not fall more than 20 percent below the average closing price for REALTECH AG shares in the XETRA electronic trading system on the 10 trading days before the decision to issue convertible bonds was reached.

Convertible bonds issued

The following table summarizes information about the company's convertible bonds as of December 31. 2010.

Year of issue	Exercise price EUR	Number of exercisable options	Number of outstanding options
2006	5,87	166.500	166.500

Development during the fiscal year

The following table indicates the number, weighted average exercise prices (WAEP) and development of the convertible bonds over the course of the fiscal year:

	2010		2009	
	Quantity	WAEP EUR	Quantity	WAEP EUR
Outstanding at the beginning of the reporting period	239.200	5,82	279.600	5,61
Issued in the reporting period	-	-	-	-
Exercised in the reporting period	53.200	5,66	35.500	4,42
Expired in the reporting period	19.500	5,87	4.900	5,87
Outstanding at the end of the reporting period	166.500	5,87	239.200	5,82
Exercisable at the end of the reporting period	166.500	5,87	169.200	5,81

13. Non-controlling interest

The share of income of non-controlling interest shareholders refers to a minority interest of 45.9 percent 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 tax expenses

The income tax expenses shown in the overall income statement concern the following:

	2010 TEUR	2009 TEUR
Current tax expenses	3.605	941
Deferred tax income (net)	(1.074)	(64)
Income tax expenses	**2.531**	**877**

The Group’s income tax expenses are reconciled in the following table. The corporation tax rate to be applied is 15% plus the solidarity surcharge of 5.5%. The Group must also make trade tax payments in the amount of 9.8%. This amounts to an expected income tax liability of 25%.

	2010 TEUR	2009 TEUR
Expected tax expenses	469	606
Measurement differences (domestic)	1.979	(20)
Tax rate difference/measurement differences (abroad)	83	291
Income tax expenses	**2.531**	**877**

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

	31.12.2010 TEUR	31.12.2009 TEUR
Tax loss carry forward	975	-
Non-current assets	5	19
Allowances	45	41
Goodwill	85	-
Other provisions	119	157
Other	8	1
Deferred tax asset (non-current)	**1.237**	**218**

	31.12.2010 TEUR	31.12.2009 TEUR
Non-current assets	343	325
Goodwill	-	20
Production orders	44	39
Deferred tax liability (non-current)	**387**	**384**

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

15. Provisions

Provisions changed as follows in the year under review:

	On 01.01.2010 TEUR	Usage/ reversal TEUR	Transfer TEUR	Decon- solidation TEUR	On 31.12.2010 TEUR
Provisions for employees	1.738	32	2	1.706	2
Vacation	1.079	162	237	585	569
Bonuses and revenue participation	1.735	1.671	1.970	64	1.970
Legal and consulting charges	265	265	278	-	278
Outstanding incoming invoices	143	141	487	-	489
Salaries and severance payments	161	161	170	-	170
Others	562	376	403	45	544
	5.683	**2.808**	**3.547**	**2.400**	**4.022**

All other provisions are due in the short term within one year.

16. Liabilities

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

	Residual term				Residual term
	Up to 1 year 31.12.2010 TEUR	Over 1 year 31.12.2010 TEUR	Total 31.12.2010 TEUR	Type of collateral	Up to 1 year 31.12.2009 TEUR
Trade payables	1.459	-	1.459	Usual retention of title	1.925
Other financial liabilities	109	-	109	-	51
Other liabilities	4.632	-	4.632	-	4.301
- in the context of social security	192	-	192	-	180
	6.200	-	**6.200**	**-**	**6.277**

The remaining liabilities include sales tax, withholding tax and wage tax liabilities in the amount of EUR 1,351 thousand (previous year: EUR 1,183 thousand).

As in the previous year, there were no contingent assets on the balance sheet date.

17. Revenue

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

18. Segment reporting

Business units that operate independently carry out internal control within the REALTECH Group. They have similar economic characteristics. The business segments are grouped together into the segments software and consulting, for which reporting is mandatory, in accordance with IAS 18.12.

For more information on the measurement basis, please refer to point 5. Summary of significant accounting policies. The consulting segment makes a direct contribution of EUR 1,873 thousand (previous year: EUR 1,278 thousand) to the directly attributable comprehensive operating income of EUR 6,138 thousand (previous year: EUR 3,732 thousand) and therefore 31 percent (previous year: 34 percent). The contribution of the software segment was EUR 4,264 thousand (previous year: EUR 2,454 thousand), equivalent to 69 percent (previous year: 66 percent) of the comprehensive operating income.

The „Unallocated expenses and income“ particularly concern expenses for rent and leasing as well as rental income. The „Unallocated corporate assets“ item primarily includes cash and cash equivalents, while the deferred tax liabilities are presented as „Unallocated liabilities“. Income taxes have been apportioned to the segments according to income contributions. The ratio between segment income, segment assets deployed and segment liabilities is assessed by the company as being typical for the sector and appropriate.

No one individual customer accounts for more than 14 percent of REALTECH’s revenue in the segment. On a segment basis, the extent to which the company is dependent on specific customers can therefore be considered to be negligible. A certain dependency does, however, exist because of REALTECH’s concentration on products from SAP, as this makes the company largely dependent on the market acceptance of solutions offered by this partner.

The figures in the following overviews have been taken from internal reporting, used by the company’s essential decision-makers for management purposes. This is based on the International Financial Reporting Standards, as applied at the REALTECH Group. Revenue is allocated to segments and regions on the basis of the unit generating the revenue.

	Consulting		Software	
	31.12.2010 EUR	31.12.2009 EUR	31.12.2010 EUR	31.12.2009 EUR
External revenue	**38.810.544**	**37.014.623**	**13.708.698**	**11.688.304**
Cost of sales	30.473.677	28.329.233	1.621.734	1.536.210
Selling and marketing expenses	3.668.982	3.557.724	3.583.766	3.484.213
Administrative expenses	2.792.826	3.187.442	1.019.288	1.239.016
Research and development expenses			3.219.304	3.636.727
Segment income	**1.875.058**	**1.940.224**	**4.264.607**	**1.792.137**
Unallocated expenses and income				
Income from operations				
Net interest				
Income from financial assets and securities				
Foreign currency exchange gain / (loss)				
Profit before tax from continuing operations				
Income tax expenses	772.982	456.035	1.758.060	421.229
Profit for the year from continuing operations				
Loss after tax for the year from discontinued operations				
Profit for the year				
Shareholders of the parent company				
Non-controlling interests				
Segment assets	19.748.634	23.223.230	9.685.764	5.805.807
Unallocated corporate assets				
Consolidated assets				
Segment liabilities	12.335.043	9.428.187	4.356.996	2.977.189
Unallocated liabilities				
Consolidated liabilities				
Investments	619.536	1.276.951	218.833	403.229
Depreciation	715.218	861.123	252.630	271.922

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	Total		Group	
	31.12.2010 EUR	31.12.2009 EUR	31.12.2010 EUR	31.12.2009 EUR
	52.519.242	**48.702.927**	**52.519.242**	**48.702.927**
	32.095.411	29.865.443	32.095.411	29.865.443
	7.252.748	7.041.940	7.252.748	7.041.940
	3.812.114	4.426.458	3.812.114	4.426.458
	3.219.304	3.636.727	3.219.304	3.636.727
	6.139.665	**3.732.360**	**6.139.665**	**3.732.359**
			(1.774.895)	(1.161.366)
			4.364.769	**2.570.993**
			80.315	85.188
			0	(81.765)
			62.123	(113.860)
			4.507.207	**2.460.556**
	2.531.042	877.264	2.531.042	877.264
			1.976.165	**1.583.292**
			(3.416.306)	(277.905)
			(1.440.141)	**1.305.386**
			(1.453.649)	1.202.631
			13.508	102.755
	29.434.398	29.029.037	29.434.398	29.029.037
			10.684.874	11.905.115
			40.119.272	**40.934.152**
	16.692.039	12.405.376	16.692.039	12.405.376
			386.788	383.687
			17.078.828	**12.789.063**
	838.369	1.680.180	838.369	1.680.180
	967.848	1.133.045	967.848	1.133.045

Further segment information

	External sales		Carrying amount of segment assets		Investments in intangible assets and property, plant and equipment	
	2010 EUR	2009 EUR	31.12.2010 EUR	31.12.2009 EUR	2010 EUR	2009 EUR
Germany	27.687.372	25.419.369	25.456.614	20.319.815	683.692	1.244.151
Rest of Europe	14.494.211	14.379.797	8.791.535	15.339.094	138.633	384.244
USA	3.164.527	2.503.838	1.098.261	875.937	0	0
Asia-Pacific	7.173.131	6.399.924	4.772.862	4.399.306	16.044	51.805
	52.519.242	**48.702.927**	**40.119.272**	**40.934.152**	**838.369**	**1.680.180**
		thereof non-current	12.141.022	14.098.863		
		thereof Germany	11.025.090	13.256.931		
		thereof other countries	1.155.932	845.932		

19. Other operating expenses

This item essentially contains expenses for rent and leasing.

20. Other operating income

Other operating income relates in particular to rental income.

21. Net interest

Net interest essentially consists of interest income for fixed-term deposits and interest-bearing securities. Interest income amounted to EUR 81 thousand (previous year: EUR 102 thousand). Interest expense was EUR 1 thousand (previous year: EUR 17 thousand).

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OTHER INFORMATION

22. Consolidated statement of cash flows

The statement 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 from the consolidated financial statements of REALTECH AG using the indirect method.

The cash involved in the statement 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.

23. 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. The Convertible Bond Programs in 2002 to 2006 resulted in the following dilution effects:

	2010	2009
Net profit or loss for the period	(1.440.141) EUR	1.305.386 EUR
Attributable to		
Shareholders of the parent company	(1.453.649) EUR	102.755 EUR
Non-controlling interests	13.508 EUR	1.202.631 EUR
Average number of shares outstanding – basic	5.322.552 Stück	5.278.202 Stück
Average number of shares outstanding – diluted	5.489.052 Stück	5.517.402 Stück
Earnings per share – basic	(0,27) EUR	0,23 EUR
Earnings per share – diluted	(0,26) EUR	0,22 EUR
Earnings per share from continuing operations – basic	0,37 EUR	0,30 EUR
Earnings per share from continuing operations – diluted	0,36 EUR	0,29 EUR

The dilution effect is caused by the conversion rights for bonds. The dilution effect on earnings attributable to the company is minimal.

24. Staff costs and scheduled depreciation

Staff costs in fiscal year 2010 were EUR 32,646 thousand, compared to EUR 31,931 thousand the previous year. This 2% increase can largely be attributed to a rise in variable remuneration and a slight increase in the number of employees between the two balance sheet dates. Scheduled depreciation was EUR 967 thousand (previous year: EUR 1,133 thousand) and predominantly affected the cost of sales and administrative cost items. Unscheduled depreciation was EUR 1,360 thousand (previous year: EUR 0 thousand) and is shown as loss after tax for the year from discontinued operations.

25. Other financial obligations

Other financial obligations from rent and leasing agreements amount to EUR 10,385 thousand (previous year: EUR 12,510 thousand). These are presented in the following overview:

	TEUR
2011	2.557
2012	1.987
2013	1.784
2014	1.578
2015	1.523
2016 and following years	956
	10.385

Rental and leasing expenses were EUR 1,916 thousand in the year under review (previous year: EUR 1,720 thousand). Please also see point 27. "Special-purpose entity".

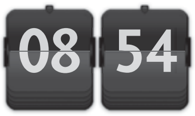
26. Financial instruments and notes on capital management

Assets by class

Financial assets consist of the following classes:

	31.12.2010			31.12.2009		
	Current TEUR	Non-current TEUR	Total TEUR	Current TEUR	Non-current TEUR	Total TEUR
Other financial assets (at amortized cost)	23.274	240	23.514	25.835	145	25.890
	23.274	**240**	**23.514**	**25.835**	**145**	**25.890**

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



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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 assume the rights and/or obligations resulting from 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.

	31.12.2010		31.12.2009	
	Carrying amount TEUR	Fair value TEUR	Carrying amount TEUR	Fair value TEUR
Financial assets (non-current)	240	240	145	145
Trade receivables	16.712	16.712	17.990	17.990
Other financial assets (current)	201	201	541	541
Cash and cash equivalents	6.361	6.361	7.304	7.304
	23.514	**23.514**	**25.980**	**25.980**

	31.12.2010		31.12.2009	
	Carrying amount TEUR	Fair value TEUR	Carrying amount TEUR	Fair value TEUR
Trade payables	1.459	1.459	1.925	1.925
Other financial liabilities (current)	109	109	51	51
	1.568	**1.568**	**1.976**	**1.976**

No restructuring took place in fiscal year 2010. No securities were furnished from the above assets. The fair value was determined using balance notifications from banks or was derived from invoice values. The data provided represents the value that can be realized on the balance sheet date.

Specification of financial instruments by IAS 39/IFRS 7 measurement categories

	31.12.2010 TEUR	31.12.2009 TEUR
Financial instruments measured at amortized cost		
Financial assets (non-current)	240	145
Trade receivables	16.712	17.990
Other financial assets (current)	201	541
Cash and cash equivalents	6.361	7.304
	23.514	**25.846**

	31.12.2010 TEUR	31.12.2009 TEUR
Financial liabilities measured at cost		
Trade payables	1.459	1.925
Other financial liabilities	109	51
	1.568	**1.976**

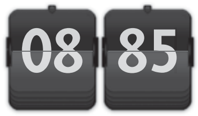
Net profits or losses

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

2010	Interest income	Interest expense	Impair-ments	Other
Financial instruments measured at amortized cost	81	1	399	-
Available-for-sale assets	-	-	-	-

2009	Interest income	Interest expense	Impair-ments	Other
Financial instruments measured at amortized cost	102	17	293	-
Available-for-sale assets	-	-	-	(82)

The EUR (82) thousand can be attributed to price losses relating to securities. EUR 479 thousand was recycled in fiscal year 2009. Impairments are presented under other operating expenses.



Financial risks

The Group's main risks include credit risks due to possible bad debts, liquidity risks and market risks, which essentially consist of currency and interest-rate risks.

Currency and interest-rate risks

The euro has been REALTECH's balance sheet and Group currency since January 1, 1999. The company processes a comparatively small proportion of its transactions in other currencies. Periodic fluctuations of individual currencies may therefore have an effect on REALTECH's revenues and earnings. Appreciation of the EUR in respect to other currencies generally has a negative effect, while depreciation of the euro has a positive effect. However, the company estimates the resulting 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 hedged by a credit management system, as well as by stringent receivables management and checks on creditworthiness.

As was the case the previous year, 86 percent of the Group's business activities as a proportion of revenue are in the euro zone. 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.

As during the previous year, the REALTECH Group did not have any net financial liabilities during fiscal year 2010. For this reason, we have refrained from presenting potential interest rate risks using a sensitivity analysis in accordance with IFRS 7.

Credit risks

Trade receivables have the following age structure:

	31.12.2010 TEUR	31.12.2009 TEUR
Total	16.712	17.990
not yet due	8.224	11.142
0 to 29 days	6.082	2.328
30 to 59 days	1.075	2.271
60 to 89 days	472	442
90 to 120 days	160	1.608
more than 120 days	1.090	989
Allowances for receivables	391	790

The value of the specific allowance for bad debts is determined based on the assessment of the individual risk for each individual receivable. Due to the fact that no REALTECH customer accounts for more than 14% of revenue, the liability and credit risks for the Group are negligible. No collateral has been received and there are no other credit enhancements.

Liquidity risks

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

	Residual term			
	31.12.2010		31.12.2009	
	Up to 1 year TEUR	Over 1 year TEUR	Up to 1 year TEUR	Over 1 year TEUR
Trade payables	1.459	-	1.925	-
Other financial liabilities (current)	109	-	51	-
	1.568	-	**1.976**	-

The Group monitors solvency using daily calculations of liquidity status, supplemented by daily updating of liquidity planning.

Derivative financial instruments

The company does not have any derivative financial instruments.

Notes on capital management

The primary goal of the Group's capital management is to ensure that its ability to pay debts and its financial substance are retained in the future.

A key indicator in capital management is gearing, which shows the relationship between net financial liabilities and equity according to the consolidated balance sheet. REALTECH uses net financial liabilities as a key indicator for investors and analysts. As this indicator is not covered by the IFRS accounting rules, the way in which it is defined and calculated may differ from the practice at other companies. On December 31, 2010, the company's gearing was minus 0.43 (previous year: minus 0.51).

	31.12.2010 TEUR	31.12.2009 TEUR
Trade payables	1.459	1.925
Income tax payables	6.470	445
Provisions	4.022	5.683
Other financial liabilities (current)	109	51
Other liabilities	4.632	4.301
Gross financial liabilities	**16.692**	**12.405**
Trade receivables	16.712	17.990
Income tax receivables	3.600	511
Other financial assets (current)	201	541
Other assets	508	693
Cash and cash equivalents	6.361	7.304
Net financial liabilities	**(10.690)**	**(14.633)**
Equity according to consolidated balance sheet	**26.251**	**28.566**

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. REALTECH has rented the building for a period of 15 years as part of a property leasing agreement. 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, 2010 these amounted to EUR 4,320 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.

In 2010, most of the building was sub-let by REALTECH Verwaltungs GmbH to ICW AG. ICW AG has given notice that it wishes to terminate the rental relationship to take effect on December 31, 2010. New rental relationships are consequently being sought. Some areas have been re-rented from April 2011.

28. Bodies of the company

Supervisory Board

Daniele Di Croce (Chairman)
management consultant

Peter Stier (Deputy Chairman)
entrepreneur

Rainer Schmidt
entrepreneur

The supervisory bodies have no further members.

Executive Board

Nicola Glowinski (Chairman)

Dr. Rudolf Caspary (technology)

Thomas Mayerbacher (finance), since January 1, 2011

The executive bodies have no further members.

29. Remuneration of the Executive and Supervisory Boards

Remuneration received by the Executive Board in fiscal year 2010 totaled EUR 802 thousand (compared to EUR 491 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 480 thousand (previous year: EUR 444 thousand), while variable remuneration totaled EUR 271 thousand (previous year: EUR 0 thousand). Share-based payments amounted to EUR 51 thousand (previous year: EUR 47 thousand). As in 2009, no options were granted in fiscal year 2010. 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 2010 totaled EUR 144 thousand (previous year: EUR 72 thousand). The fixed portion was EUR 45 thousand (previous year: EUR 45 thousand), while variable remuneration (including attendance fees and travel expenses) amounted to EUR 99 thousand (previous year: EUR 27 thousand).

30. Directors' dealings

Changes in numbers of REALTECH shares held by members of the Executive Board of REALTECH AG in fiscal year 2010 can be seen in the following table:

10 30

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	Dr. Rudolf Caspary	Nicola Glowinski
On January 1, 2010	29.000	15.000
Additions	5.000	9.000
Disposals	-	-
On December 31, 2010	**34.000**	**24.000**

Changes in numbers of REALTECH convertible bonds held by members of the Executive Board of REALTECH AG in fiscal year 2010 can be seen in the following table:

	Dr. Rudolf Caspary	Nicola Glowinski
On January 1, 2010	40.000	79.000
Additions	-	-
Disposals	5.000	9.000
On December 31, 2010	**35.000**	**70.000**

Changes in numbers of REALTECH shares held by members of the Supervisory Board of REALTECH AG in fiscal year 2010 can be seen in the following table:

	Daniele Di Croce	Rainer Schmidt	Peter Stier
On January 1, 2010	885.500	765.500	745.500
Additions	-	-	-
Disposals	-	-	-
On December 31, 2010	**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 2010.

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 2010, no companies of the REALTECH Group performed transactions that require reporting with members of the Supervisory or Executive Boards (see 27.) 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 (with the exception of the transactions specified under 28. and 29.). This is also true of the close family of this group of individuals.

32. Employees

The REALTECH Group had a total of 506 employees on December 31, 2010, while the figure on December 31, 2009 was 500. As an annual average, the company employed 496 people in 2010, and 514 the previous year.

33. Auditor fees in accordance with Section 314, paragraph 1, point 9 of the German Commercial Code (Handelsgesetzbuch, HGB)

The remuneration received by Grant Thornton GmbH and PKF Deutschland GmbH (a network company) in fiscal year 2010 was EUR 69 thousand for auditing (previous year: EUR 65 thousand) as well as EUR 33 thousand for tax consulting services (previous year: EUR 29 thousand). This has been presented as expense. The company did not draw on any further consulting services or other services as defined in Section 314, paragraph 1, points 9b) and 9d) of the German Commercial Code.

34. Data in accordance with Section 160, paragraph 1, point 8 of the Stock Corporation Act (Aktiengesetz, AktG)

As in the previous year, no reports on the existence of interests were submitted to REALTECH AG in fiscal year 2010.

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

On December 14, 2010, the Executive and Supervisory Boards submitted their ninth compliance declaration in accordance with Section 161 of the Stock Corporation Act and made it permanently available to shareholders on the company's website (www.realtech.de).

Walldorf, March 10, 2011
REALTECH AG
The Executive Board

AUDITORS` REPORT

We have audited the consolidated financial statements prepared by the REALTECH AG, comprising the income statement and statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2010 to December 31, 2010, which is combined with the management report of the company. The preparation of the consolidated financial statements and the combined management report in accordance with International Financial Reporting Standards (IFRS) 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 Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

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 combined 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 combined 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 the Company`s Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the combined 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 IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, Paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined 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, March 21, 2011

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FINANCIAL CALENDAR

Financial Calendar 2011

May 5, 2011
Quarterly Report 1/2011

May 24, 2011
General Meeting, Palatin, Wiesloch, 10.00 a.m.

August 4, 2011
Quarterly Report 2/2011

November 3, 2011
Quarterly Report 3/2011

November 21 - 23, 2011
Deutsches Eigenkapitalforum, Frankfurt

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This annual report is also available in German.

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