Annual Report 2011

Added Value for IT

REALTECH

REALTECH AG, Walldorf,

Annual Report 2011

Added Value for IT

AT A GLANCE

	2011 TEUR	Δ %	2010 TEUR *
Revenue and income			
Revenue	39.178	(1)	39.500
Revenue consulting	26.434	(1)	26.597
Revenue software	12.744	(1)	12.903
Revenue Germany	27.668	0	27.687
Revenue foreign countries	11.510	(3)	11.813
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1.406	(74)	5.331
Earnings before interest and taxes (EBIT)	168	(96)	4.180
Earnings before taxes (EBT)	(37)	(101)	3.984
Profit for the year (attributable to owners of the company)	806	159	(1.374)
Earnings per share (EUR)	0,15	159	(0,26)
Investments and depreciation			
Investments in intangible and tangible assets	982	17	838
Depreciation	1.238	8	1.151
Assets, liabilities and equity (end of year)			
Cash and cash equivalents	13.220	108	6.361
Total current assets	28.037	2	27.420
Total non-current assets	21.978	0	22.009
Total assets	50.015	1	49.429
Total current liabilities	16.481	(2)	16.847
Total non-current liabilities	6.985	(3)	7.179
Equity	26.549	5	25.403
Equity ratio (%)	53,1	3	51,4
Return on equity (%)	0,03	166	(0,05)
Key figures			
Gross margin (%)	43,3	(5)	45,5
EBITDA margin (%)	3,6	(73)	13,5
EBIT margin (%)	0,4	(96)	10,6
Net cash flows from operating activities	2.545	14	2.240
Net cash flows from investing activities	4.331	487	(1.119)
Net cash flows from financing activities	(50)	98	(2.622)
Employees (end of year)	**329**	**1**	**327**

* Corrections according to IAS 8.
Negative figures are shown in parenthesis.

REALTECH - ADDED VALUE FOR IT

Our consultants and software solutions increase the value of IT by using hardware and software in a suitable manner, from the architecture and selection of products to operation and organization. As technology experts, we are familiar with the latest IT trends (cloud, in-memory databases, mobile) and, thanks to our many years of practical experience, are able to use them effectively.

With two complementary business areas for IT consulting and software products for IT service management, we are thus able to improve the entire value chain through IT while at the same time reducing costs.

CONTENT

Around

350.000

days of consulting experience in the SAP environment lay the foundations for the effective and secure use of SAP applications.

COMPETENCE

REPORT OF THE EXECUTIVE BOARD

Dr. Rudolf Caspary (l.)
(Chief Executive Officer)
Thomas Mayerbacher
(Chief Financial Officer)

DEAR SHAREHOLDERS AND BUSINESS PARTNERS,

The past fiscal year, 2011, was very eventful for REALTECH; a lot happened and we have triggered some highly promising developments. The most important developments include internal restructuring, a sales and distribution agreement with SAP, the sale of the Spanish subsidiary, preparations for expansion towards Northern Europe and personnel changes on the Executive Board.

In 2011, we have concentrated above all on restructuring our overall organization and on systematically optimizing our range of products and services. For example, REALTECH has streamlined its portfolio in the Consulting business area and geared it towards particularly profitable business areas. We have additionally invested considerable amounts in research and development in the software segment as well as in marketing our software products – 22 percent more than in 2010. The reason for this is the OEM contract that we concluded with SAP in 2011. Based on this agreement, SAP will be integrating selected REALTECH technologies into its own products, which is why we are again expanding our theGuard! software.

REALTECH is considered to be an attractive employer for IT specialists. There is still a high demand for well-trained specialists in the IT sector.

In addition to this, it was quite apparent in the year under review that there continues to be a high demand for well-trained specialists in the IT sector. Although the fluctuation rate among our employees rose, we were able to gain further highly qualified specialists again in 2011. This can be attributed to the fact that REALTECH is considered to be an attractive employer for IT specialists. Our employees benefit from our flat hierarchies, which enable them to get actively involved, and we place great value on extensive training and professional development. As a result, REALTECH's competent, dedicated and reliable employees, with their specialist knowledge and high motivation, work each day to make our business a success and ensure that customer satisfaction is one of our most convincing competitive advantages.

There were also some staff changes on the Executive Board in 2011. The previous Chief Executive Officer, Nicola Glowinski left the company at his own request on August 1. The Supervisory Board appointed Dr. Rudolf Caspary, who had up to then been responsible for the software segment and the area of technology and had already been a member of the Executive Board since 2004, to succeed him as head of the company. Moreover, Thomas Mayerbacher became the new Chief Financial Officer (CFO) of REALTECH AG at the beginning of the 2011 fiscal year.

Group revenue on a par with the previous year

Let us now turn to the most important key figures of fiscal year 2011: Group revenue, at EUR 39.2 million, was pretty much on a par with the previous year. In the two business areas of Consulting and Software, sales revenues declined slightly by 1 percent to EUR 26.4 million and EUR 12.7 million respectively. A clearer reduction, in contrast, was recorded for income from operations (EBIT). The decline in earnings from EUR 4.2 million to EUR 0.2 million was due not only to the investments in the software segment mentioned above, but also to various other factors: lost revenues as a result of the earthquake catastrophe in Japan in the first half of the year, poor sales in New Zealand, reduced capacity utilization among our consulting experts in Germany, increased special effects due to vacancies in the REALTECH building in Walldorf and general restructuring costs in the area of human resources. Moreover, some of the software revenues originally scheduled for the fourth quarter of 2011 have been postponed to 2012. We were nevertheless able to increase our net income from minus EUR 1.4 million to EUR 0.9 million, as there was a substantial reduction in our income tax expenses and we recorded one-off income as a result of selling our Spanish subsidiary.

As the former REALTECH subsidiary in Spain has been sold, it has already been deducted from the figures for fiscal years 2011 and 2010. The sale of the Spanish subsidiary as part of a management buyout was necessary to improve the future profitability of the Group as a whole. A long-term trademark licensing and cooperation agreement with the new management ensures that obligations to customers and partners continue to be met.

This means that REALTECH operates worldwide in the following regions: in Europe with Germany and Portugal, in the USA and in the Asia-Pacific region with Japan, Singapore and New Zealand. Developments in revenues and earnings differed somewhat in these regions in the 2011 fiscal year: In Germany, where we now record 71 percent of our revenues, the revenue figure remained on a par with the previous year. Whereas Portugal and the USA recorded declines in revenues, Asia-Pacific was able to increase its sales revenues despite the environmental catastrophe in Japan. We were pleased to also record an increase in income from operations in this country, while EBIT for the Asia-Pacific region as a whole decreased, as it did in Germany and Portugal. Only REALTECH USA recorded an improvement in income from operations.

The sale of the Spanish subsidiary as part of a management buyout was necessary to improve the future profitability of the Group as a whole.

Two complementary pillars: Consulting and Software

With its employees and products, REALTECH has ensured yet again in fiscal year 2011 that innovative IT solutions support the business goals of multinational customers in the best possible way. Our range of services is closely aligned with the requirements of customers and is divided into two complementary business areas – technical IT consulting with a focus on SAP, and software products for IT service management.

In the Consulting segment, our consultants work together with customers to develop future-oriented, secure IT environments. REALTECH's unique selling point is its outstanding technical expertise regarding software and system architectures, combined with knowledge of how customers can implement innovative technologies profitably. To supplement this, REALTECH established its Software division and began with the development of its theGuard! product family more than ten years ago. These efforts have paid off, as we now have a globally unique software portfolio for IT management.

REALTECHs unique selling point is its outstanding technical expertise regarding software and system architectures, combined with knowledge of how customers can implement innovative technologies profitably.

Development work in 2011 centered on enhancing theGuard! software in conjunction with the contract with SAP. This work made it possible for parts of theGuard! products to be integrated directly into the SAP systems, thus increasing the range of services provided by certain SAP products: The Walldorf-based corporation will be launching the new solution on the market in 2012 as a software package for IT infrastructure management. In a further joint project with SAP, we are ensuring that theGuard! provides even more specific support for rapidly expanding new technologies, such as cloud computing. Independently of this, we have expanded our IT management solution theGuard! as a whole, for example presenting a new software solution for mobile terminal equipment under the slogan "theGuard! goes mobile".

In the area of consulting, we further focused our portfolio in 2011 on high-margin segments and now advise IT decision-makers with regard to strategic issues. Our new IT management consulting is geared exactly towards the requirements of IT managers and CIOs and aims to support customers in such a way that they make the right strategic decisions when it comes to implementing new IT infrastructures. Positive responses from customers show us that the offer is going down well on the market.

Our targets

According to forecasts, the global economy is set to expand very sluggishly in 2012. Whereas the Euro zone risks facing a recession due to the debt crisis, economists do actually anticipate an increase in the gross domestic product for Germany. In contrast, the IT sector has much more positive prospects and is expected to expand both worldwide and in Europe. The German IT market is also set to expand again, having already seen above-average growth in software revenue for several years.

Bearing these forecasts in mind, REALTECH plans organic growth in the Consulting segment in the current fiscal year of 2012, especially in Germany and the USA. The new consulting offering for IT decision-makers will help us to achieve higher margins in this business segment, too. In the meantime, we will be continuing to concentrate in the Software division on linking our technologies as well as possible with the new SAP solution. Moreover, we already began back in 2011 to strengthen our sales and distribution activities so as to generate the planned revenue.

The Executive Board anticipates that the Group will record a revenue of EUR 45 million and EBIT of EUR 3.7 million in 2012. Net income will increase accordingly.

What's more, progress is not only being made on the technical side: On January 1, 2012 we expanded our geographic presence by establishing REALTECH Nordic in Copenhagen, with a view to also marketing our software products in Northern Europe. Denmark is the starting point from which we intend to coordinate further sales and distribution activities in Sweden, Norway and Finland. In addition to Scandinavia, we will in future also be focusing on the Benelux states.

A high priority is being assigned in 2012 to the search for qualified specialists, as REALTECH is planning to hire further new employees. One thing that particularly helps us in our search for suitable candidates is the satisfaction of our existing employees: We now fill numerous job vacancies through personal recommendations and also train employees ourselves.

The Executive Board expects business to develop positively in 2012. However, we will again be investing substantial sums in research and development in the software segment, in sales and distribution and in new employees in consulting. Furthermore, our international expansion will lead to increased selling expenses. Based on this situation, we anticipate that the Group will record a revenue of EUR 45 million and EBIT of EUR 3.7 million in 2012. Net income will increase accordingly.

REALTECH's dividend policy will in the future maintain a good balance between healthy company growth and the interest of shareholders in receiving a share of profits. At the General Meeting in May 2012, the Executive and Supervisory Boards will thus propose distributing a dividend of 30 euro-cents per share for the net profit recorded by REALTECH AG in fiscal year 2011.

The Executive Board is convinced that REALTECH is in an excellent position to meet the challenges of the future with success. Our strong partnership with SAP and the company's expansion in economically sound regions abroad will both contribute towards this. Together with REALTECH's tried and tested range of services, stronger portfolio, dynamic team and clear strategy, this will give rise to a sturdy foundation for achieving further growth in 2012. We thank our customers, partners, employees, Supervisory Board and shareholders for their trust and support.

Yours faithfully,
The Executive Board

EXPERTISE

5 major IT corporations worldwide rely on REALTECH's expertise for SAP-specific issues.

REPORT OF THE SUPERVISORY BOARD

Supervisory Board (f. l. t. r.):
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 (AktG) regarding the activities of the Supervisory Board in the 2011 fiscal year and the audit results for the 2011 annual and consolidated financial statements. Our meetings and consultations with the Executive Board focused primarily on the future orientation of the business areas, the restructuring of the Group and its international subsidiaries, personnel planning in the Executive Board, and medium and long-term business development planning.

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.

All tasks and duties diligently met

In the 2011 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 or renewed global economic and financial crisis affecting some REALTECH markets, consultations also 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. In particular, the Supervisory Board discussed the situation of the foreign subsidiaries and the sale of the Spanish subsidiary due to its unsatisfactory income and future prospects.

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 Group management report also reports on the tasks of the Executive and Supervisory Boards.

In the 2011 fiscal year, the Supervisory and Executive Boards held six meetings in which they intensively discussed the changes to and the strategic ongoing development of the Group in the future, and the economic situation.

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 relevant section of the annual report. Last year, the Executive and Supervisory Boards discussed the latest version of the German Corporate Governance Code of May 26, 2010 and passed the 2011 joint declaration of compliance at the meeting on October 27, 2011. This explanation 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 69 of the annual report.

No conflicts of interest on the part 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 2011 fiscal year, the Supervisory and Executive Boards held six meetings in which they intensively discussed the changes to and the strategic ongoing development of the Group in the future, and the economic situation. Representatives of the auditing company elected at the General Meeting were 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. All members of the Supervisory Board always take part in the Supervisory Board meetings.

At the beginning of 2011, the opinion of the Supervisory Board was that the company’s innovative strength needed to be improved. Furthermore, the Group’s profitability needed to be increased and employee fluctuation reduced. With this in mind, Supervisory Board meetings in fiscal year 2011 concentrated on internal company restructuring and specific measures to ensure positive development in the consulting and software segments in the future. These included succession planning in the Executive Board and middle management, and the Group’s future international orientation. In particular, the Board discussed personnel planning in the Executive Board early in 2011. The aim of the Supervisory Board’s activities was to make REALTECH more profitable, more innovative, and even more attractive to skilled personnel.

In the meeting in February 2011, the Supervisory Board considered the provisional figures for the fourth quarter of 2010 and fiscal year 2010, final budget planning for 2011 and the economic development of the international subsidiaries, particularly the subsidiary in Spain. The Board also discussed REALTECH AG’s income in the HGB (German Commercial Code) single entity financial statement, and updated the assignment of business responsibilities within the Executive Board, after the Board was initially extended on January 1, 2011 to consist of three members, as part of long-term personnel planning.

The Supervisory Board agreed to the future international strategy based on the reports from the international subsidiaries and passed a resolution as part of a contract concluded with SAP AG.

The meeting in March focused on the report submitted by the auditors regarding the audit of the consolidated and annual financial statements as per December 31, 2010, the approval and adoption of the 2010 consolidated and annual financial statements, and the approval of the agenda for the General Meeting in 2011. In July, the Board discussed the future orientation of the Group in general and the goals of the consulting and software segments in particular. Further points concerned the half-year results and the effects of the sale of the REALTECH subsidiary in Spain.

In the second half of 2011, the Supervisory Board focused even more on future-oriented topics such as investments in the area of software, increased cooperation with SAP and expansion opportunities in Northern Europe. The Board also focused on improving the financial key figures, risk management and cash management. With its recommendations, the Supervisory Board supported the company in order to increase innovative capabilities and sustainability.

At the meeting in late October, the results of the third quarter were examined, the updated financial report to the Supervisory Board was discussed, as was the real estate rental situation and, together with the external auditing company, the focus areas of the audits as per December 31, 2011 were agreed and laid down and the audit assignment issued. Furthermore, the Board defined the future international strategy based on the reports from the international subsidiaries and adopted the tenth declaration of compliance for the German Corporate Governance Code. At the meeting in early December, the only point on the agenda was to analyze and pass a resolution as part of a contract concluded with SAP AG. As part of the agreement, SAP integrated selected REALTECH technologies into its own products. At the last Supervisory Board meeting of 2011 in mid-December, the Executive Board and the Supervisory Board discussed corporate planning and set the goals for the Group up to 2015. They also discussed the potential income for fiscal year 2011. Furthermore, the two Boards determined the continued regional expansion of the Group and the future dividend policy.

Members of the Executive and Supervisory Boards

The Chief Executive Officer of REALTECH AG, Nicola Glowinski, left the company at his own request on August 1, 2011. The Supervisory Board and the Executive Board would like to thank him for his strong commitment and for his work in recent years. In accordance with the Supervisory Board's long-term personnel planning, Dr. Rudolf Caspary, who previously had worldwide responsibility for the area of technology and has been an Executive Board member since 2004, was appointed as the new Chief Executive Officer. This meant that the transfer of responsibilities, which was planned anyway for 2013, could be brought forward. In the Supervisory Board's view, Dr. Caspary, an IT expert who has worked at the company for many years and has proven skills and extensive knowledge of the market, is the right person to prepare REALTECH for the challenges of the future in the best way possible. Together with Thomas Mayerbacher, who was appointed Chief Financial Officer in January 2011, the Executive Board of REALTECH AG is now a young, dynamic and motivated team of experienced and proven REALTECH leaders, which will provide the Group with new perspectives and ideas.

The members of the Supervisory Board remained unchanged in fiscal year 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).

Annual and consolidated financial statements 2011

REALTECH AG's annual financial statements for 2011 and the summarized management report for REALTECH AG and the Group, including accounting, were audited and issued with an unqualified audit opinion by the external auditing company Deloitte & Touche GmbH, Mannheim, which was appointed at the General Meeting on May 24, 2011 and engaged as auditor by the Supervisory Board. The same applies to the consolidated financial statement in accordance with IFRS.

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, 2012, the Supervisory Board approved the consolidated financial statements for 2011, the combined management report for 2011, and REALTECH AG's annual financial statements for 2011, and agreed to the Executive Board's proposal for the appropriation of net profits.

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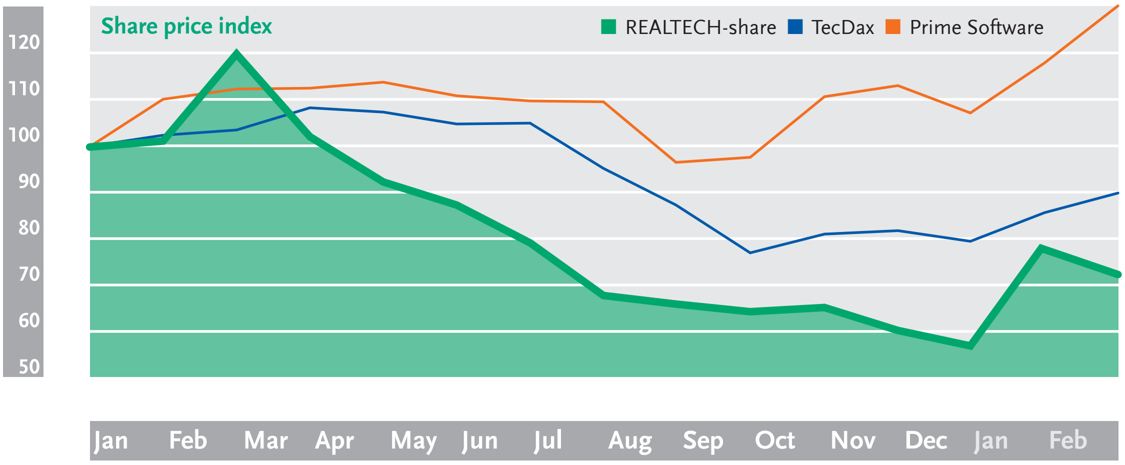
The Supervisory Board wishes to take this opportunity to thank all members of the Executive Board, as well as all of the company's employees, for the successful part they have played and the high degree of personal commitment shown to REALTECH AG and all associated companies. In 2011, the Executive Board and the Supervisory Board prepared the ground for REALTECH's future strategic alignment. The Supervisory Board can therefore begin the 2012 fiscal year with positive expectations.

Walldorf, March 2012
The Supervisory Board
Daniele Di Croce
Chairman

Financial analysts estimate that REALTECH has the potential for a value increase of around 96% which clearly indicates great confidence in the company's performance.

POTENTIAL

SHARES



In line with the general trend, the REALTECH share price recorded a decrease of 44 percent, after having seen significantly stronger growth than the comparative indices in 2010.

The stock markets in Europe

The European stock markets paused for breath in 2011. In line with the general trend, the REALTECH share price recorded a decrease of 44 percent, after having seen significantly stronger growth than the comparative indices in 2010. The German leading index DAX fell by 14.7 percent, while the Euro Stoxx 50 saw a decline of 17 percent. The TecDAX dropped 19.5 percent and the MDAX fell by 12.1 percent. Share prices fell even more sharply on European markets: the French CAC 40 decreased by 17 percent and the Italian FTSE MIB dropped by 25.2 percent. However, the most important stock market barometer worldwide, the Dow Jones index, rose by 5.5 percent in 2011.

Commodity price performance was varied: the gold price rose by 11.7 percent. WTI (West Texas Intermediate) crude oil increased by 7.2 percent and the price of European Brent oil rose by 15.9. In contrast, the price of the key industrial metal copper fell by 23 percent. The euro also weakened and was worth just 1.30 US dollars at the end of 2011, compared to 1.34 US dollars on December 31, 2010.

Experts forecast DAX rise

Despite the fact that 2011 was a weak year for the stock market, the experts are optimistic about 2012. According to the annual survey carried out by the Frankfurter Allgemeine Zeitung, the 21 banks and investment companies anticipate on average that the DAX will rise by 14 percent in 2012 to around 6,600 points. However, forecasts range from 5,500 to 7,600 points and experts also anticipate high price fluctuations. According to this survey, analysts are forecasting 12 percent growth for the Euro Stoxx 50 this year and 9 percent growth for the Dow Jones index. The traditional capital market survey carried out by the German newspaper Handelsblatt was similarly positive: the 36 domestic and foreign banks surveyed by the financial newspaper forecast on average that the DAX will rise by around 12 percent in 2012 to 6,573 points.

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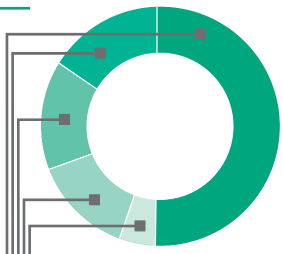
Share performance and market capitalization

The REALTECH share price began the year under review at EUR 9.00 (price at year-end closing) and then climbed to an annual high of EUR 10.95 on February 9. Subsequently, renewed concerns about government debt in Europe, the war in Libya and, in particular, the natural disaster and reactor crisis in Japan, had a negative impact on the stock markets, causing the share price to decrease to EUR 7.29 on March 16, the lowest figure in the first quarter. In line with a general upward trend, the share price rose as of April 6 to EUR 10.50, and this was the highest price in the second quarter. A continual downward trend followed, hitting a low of EUR 6.78 on June 13. The share price was EUR 7.00 at the end of the quarter.

In early August, concerns surrounding government debt in the eurozone and the global economic situation, particularly the state of the US economy, grew significantly, causing a collapse on global stock markets. REALTECH shares were unable to buck this trend and the share price reached a low for the year of EUR 4.89 on August 8. After a short recovery phase, the share price again fell below the five euro mark, reaching EUR 4.90 on September 5. At the end of the third quarter, the REALTECH share price was EUR 5.74. The share price rose in the fourth quarter to EUR 6.10 on October 20, 2011, the highest figure in the quarter. A downward trend then followed, bottoming out on November 23 at EUR 5.01. The share price then recovered to EUR 5.77, before ending 2011 at EUR 5.02.

On December 31, 2011, the company’s market capitalization stood at EUR 27 million, which corresponded to 102 percent of book equity.

Key figures	2011 EUR	2010 EUR
Earnings per share	0,15	(0,26)
Cash flow per share	0,47	0,42
Equity per share	4,93	4,75
Highest share price	10,95	9,13
Lowest share price	4,89	6,60
Share price at year end	5,02	9,00
Market capitalization at year end	27 Mio.	48 Mio.
Number of shares at year end	5.385.652	5.349.152



Shareholder structure
(as of 31.12.2011)

Shareholder structure and trading volume

The shareholder structure of REALTECH AG changed in the course of the year under review, compared to the end of the previous year: in April 2011, AvW Gruppe AG, Krumpendorf, Austria sold its voting rights in REALTECH AG in full. The Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, based in Tübingen, acquired a 5.39 percent share of voting rights. Apart from this, the shareholder structure of REALTECH AG remained largely constant throughout the entire year under review. The voting rights of founders and major shareholders did not change. REALTECH AG's free float increased on December 31, 2011 to 50.11 percent (December 31, 2010: 40.24 percent).

The trading volume in the company's shares increased significantly year-on-year: the average number of the Group's shares being bought and sold each day increased by 133 percent from 6,140 shares in 2010 to 14,330 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 81 percent (2010: 74 percent), while other stock markets accounted for 19 percent (2010: 26 percent).

General Meeting 2011

At REALTECH AG's twelfth General Meeting in Wiesloch on May 24, more than 200 shareholders and guests received information regarding the future prospects of the company. EUR 2,758,530 out of the company's share capital of EUR 5,385,652 was represented, which is equivalent to 51.22 percent (previous year: 48.43 percent). All the Board's resolutions were passed, with only a few votes against and a small number of abstentions. In detail, the General Meeting approved the actions of the Executive Board and the Supervisory Board, appointed Deloitte & Touche GmbH, Mannheim as auditor and Group auditor for the 2011 fiscal year, and made decisions regarding the revision of profit transfer agreements.

Up-to-date and transparent information

REALTECH AG place great importance on open dialog with institutional investors, private investors and analysts. This includes providing shareholders and the public with up-to-date, comprehensive and transparent information at all times regarding the economic situation of the company. For this reason, REALTECH has for many years also been an active member of the German investor relations association (DIRK), which proposes standards for professional communication between listed companies and the capital market. IT service provider REALTECH was also represented at various shareholder forums and investor conferences in the year under review, including the German Equity Forum in Frankfurt, Europe's largest investor fair. In addition, the Directors and investor relations managers informed current and potential investors about the economic perspectives. All key facts and data concerning REALTECH and the economic situation can be found on the redesigned investor relations website. The website is above all transparent, and it is now even easier for users to find the information they require.

Dividends paid

REALTECH's general dividend policy is focused on balancing healthy company growth with the interests of the shareholders with regard to a share of the profits gained. The Executive Board and the Supervisory Board therefore endeavor to distribute 50 percent of REALTECH's net profit to shareholders, provided that there are no unusual situations (cash and cash equivalents, planned investments or acquisitions) to consider.

Two factors, in particular, shaped income in fiscal year 2011: alongside the sale of the Spanish subsidiary REALTECH system consulting S.L., this was the extension of the development and sales partnership with SAP, which meant that further investments in new products and technologies were required. The net profit recorded by REALTECH AG in the year under review was EUR 3,367 thousand, following on from EUR 0 thousand in 2010.

At the General Meeting, scheduled to be held in Wiesloch on May 22, 2012, the Executive and Supervisory Boards of REALTECH AG will propose distributing a dividend of 30 euro-cents per share for the net profit recorded for fiscal year 2011. The two committees passed these resolutions on February 27, 2012.

The time-proven business model with consulting and software as its pillars is well established in the growth market for IT and has proven itself resilient to crisis, particularly in the period between fall 2008 and spring 2010. REALTECH's range of services, stronger portfolio, dynamic team and strategy for the future form a strong foundation for achieving further growth in 2012.

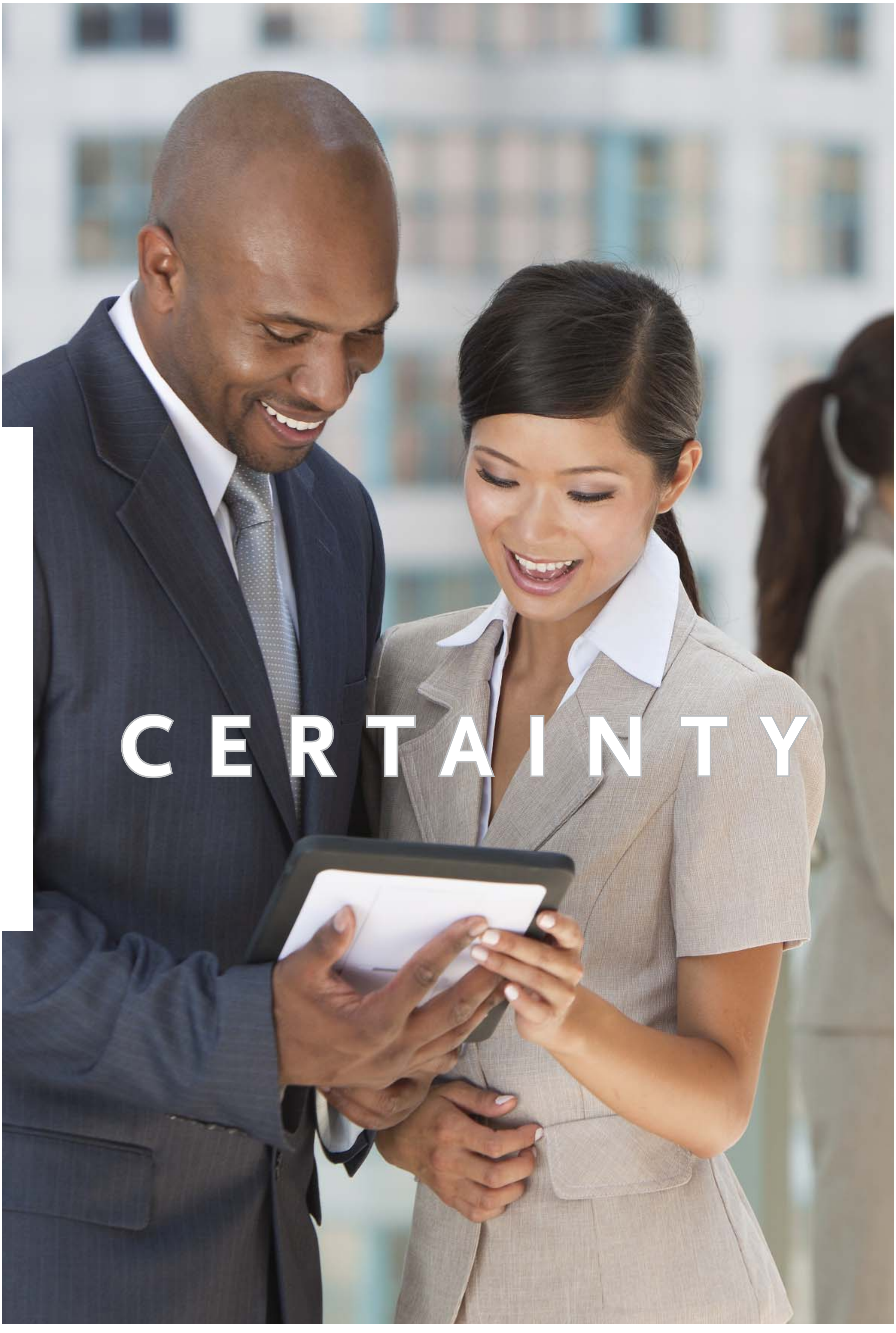
Outlook

The European markets and REALTECH shares lost ground in 2011. However, the Executive Board and the Supervisory Board still consider REALTECH shares an interesting and promising option for private and institutional investors. The time-proven business model with consulting and software as its pillars is well established in the growth market for IT and has proven itself resilient to crisis, particularly in the period between fall 2008 and spring 2010. REALTECH's range of services, stronger portfolio, dynamic team and strategy for the future form a strong foundation for achieving further growth in 2012.

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

Shares of the issuer and members of executive bodies as of 31. 12. 2011		
Issuer:	REALTECH AG	- treasury stock
Executive Board:	Dr. Rudolf Caspary	36.320 shares
	Thomas Mayerbacher	1.620 shares
Supervisory board:	Daniele Di Croce	885.500 shares
	Rainer Schmidt	765.500 shares
	Peter Stier	745.500 shares

All convertible bonds expired as of July 31, 2011 according to the regular termination of the convertible bond program.



CERTAINTY

80% of the company's largest customers have been loyal to REALTECH for more than 10 years already.

ANNUAL REVIEW

Mayerbacher is the new Chief Financial Officer On January 1, 2011, Thomas Mayerbacher became the new Chief Financial Officer (CFO) at REALTECH AG. The industrial engineering graduate has held managerial roles in the areas of international controlling and finance since May 2000.

theGuard! goes mobile Under the slogan "theGuard! goes mobile", REALTECH presented a new software solution for mobile terminal equipment. The solution gives IT experts current status reports on the IT infrastructure of their company, allowing them to respond even faster to faults.

New customer from the pharmaceutical industry The pharmaceutical service provider Hameln group relies on REALTECH'S expertise in the area of SAP consulting. A solution that is implemented in the SAP system was created together with the customer to meet the strict regulatory requirements for document management.

State Premier visits REALTECH Politics meets business: in March, 2011, Stefan Mappus, who at that time was still the Premier of the State of Baden-Württemberg, visited REALTECH AG at the world's largest computer trade fair CeBIT. At the stand, he gained an insight into the innovative range of services provided and the general economic situation from the perspective of a medium-sized company.

Shareholder meeting in 2011 At REALTECH AG's twelfth General Meeting in Wiesloch, more than 200 shareholders received information regarding the future prospects of the company. All resolutions were passed by a large majority; these included the formal approval of the actions of the Executive and Supervisory Boards and the revision of profit transfer agreements.

Spanish subsidiary sold In June, REALTECH sold the Spanish subsidiary as part of a management buyout to improve the future profitability of the Group as a whole. A long-term trademark licensing and cooperation agreement ensures that obligations to customers and partners continue to be met.

Experts embark on a new career with REALTECH "Steer your success" is the slogan of an innovative series of events aimed at attracting new specialists to REALTECH: IT experts were able to discover the diverse career opportunities at the company during boat trips in Hamburg and Heidelberg. Both "Sundowner cruises" were well attended and as successful as we had hoped.

Expertise in Linux strengthened The strategic partnership with Red Hat, a specialist provider for the open source operating system, Linux, has allowed REALTECH to make its consulting expertise even stronger. The aim is to enable SAP customers to switch to the Linux platform, which is attractive and cost-effective to run, thus reducing the overall costs for SAP operations.

The company IT of tomorrow The IT Future Day organized by REALTECH proved a complete success. Visitors received diverse suggestions and specific recommendations for setting up future-proof IT systems at their companies.

Valuable help with decision making REALTECH has expanded its portfolio and in future will focus more strongly on advising IT decision makers regarding strategic topics, too. The aim of the IT management consulting is to support customers in making the right strategic decisions when setting up their IT infrastructures. The new service has been well received in the market: "The assumptions made by us were verified by REALTECH's objective analysis methods and valuable enhancements were made," said one customer, praising the service.

New contacts to SAP users REALTECH presented its innovative portfolio at the annual congress of the German-speaking SAP user group (DSAG) in Leipzig which, with around 3,000 participants, ranks as one of the best attended DSAG fairs to date. The reward – countless inquiries for new projects involving SAP systems.

Caspary follows on from Glowinski Change in management at REALTECH: the previous Chief Technology Officer, Dr. Rudolf Caspary, took over the brief of the chairman of the Executive Board Nicola Glowinski, who left the company at his own request. Caspary has been a member of the REALTECH AG Executive Board since 2004.

Success brings obligation The IT management solution theGuard! was again continually expanded in 2011. The new version 7.0 provides IT experts with additional valuable functions, allowing them to monitor system and network components and complex software solutions with even greater precision. The enhanced version incorporates customers' specific requests and the long-standing expertise of REALTECH consultants.

REALTECH at Sapphire NOW "Viva Espana!" was the motto in November: at the SAP in-house show Sapphire NOW in Madrid, REALTECH presented a new software solution – theGuard! SmartChange Application Security & Code Profiling – which securely detects weaknesses and security vulnerabilities in the company IT.

Publication administration 2.0 REALTECH supports public administration: together with partner FNT, REALTECH presented innovative solutions for monitoring and modernizing IT infrastructures to federal, state and local government representatives at the Moderner Staat 2011 trade fair in Berlin.

Information for investors In 2011, REALTECH again used the German Equity Forum in Frankfurt to hold discussions with investors, make contacts and inform the financial market regarding current developments at the company. The three-day conference is Europe's largest information and networking platform for companies, investors and analysts.

Around 50% of Dax 30 companies invest in REALTECH products and services to map their IT-supported business processes.

INNOVATION

BUSINESS AREAS

IT CREATES ADDED VALUE

REALTECH designs future-proof IT environments and thus contributes to the economic success of our customers.

For years, we have been experiencing how rapidly IT changes. New devices, systems and applications have changed our private communications and information behavior as well as the processes and methods used at our workstations. An important task for IT companies like REALTECH is to recognize the potential of new technologies and to design intelligent solutions that have a specific added value for companies.

Modern IT systems are part of a successful business strategy and an important factor of production. The use of software applications allows employees to work more efficiently and more accurately. Furthermore, IT-supported processes help organizations to collaborate closely across sites, supporting companies' economic success. For this reason, an organization's competitiveness is now more dependent than ever on smooth IT operations.

With its employees and products, REALTECH ensures that innovative IT solutions support the business goals of multinational customers in the best possible way.

However, operating an IT environment continues to be a high cost factor. Experience shows that companies spend around 70 percent of their overall, ever-increasing IT budgets on application and infrastructure operations. With the help of consulting services and software products from REALTECH, they are able to cut their costs significantly, while also increasing the quality of the IT solutions that they use.

The consulting and software business areas

With its employees and products, REALTECH ensures that innovative IT solutions support the business goals of multinational customers in the best possible way. The range of services is divided into two complementary business areas – technical IT consulting with a focus on SAP, and software products for IT service management. These services are based on the long-standing experience of the consultants, detailed knowledge of technical contexts and the use of modern organizational models such as outsourcing and cloud computing.

BUSINESS AREA CONSULTING

Together with customers, consultants and software specialists develop future-oriented, secure IT environments. These solutions are the foundation of the IT-supported business processes that give companies a decisive competitive edge in today's business world. The close partnership with SAP and the systematic professional training of the company's employees forms the basis upon which REALTECH presents itself consistently in the market as an expert contact partner for current technology trends.

Consultants have particularly in-depth expertise of topics relating to the efficient and failsafe operation of SAP systems. Global partnerships between REALTECH and SAP help customers to integrate international sites into one overall IT environment. If required, consultants can independently operate and optimize SAP customer systems at any time.

An important unique selling point of REALTECH continues to be its outstanding technical expertise of software and system architecture, combined with knowledge of how customers can implement innovative technologies profitably. The consultants are globally recognized experts for infrastructure topics such as migrating databases and operating systems to new system platforms.

Extensive expert knowledge, combined with business and strategic consulting, also make REALTECH's services attractive to senior management. REALTECH consultants have established themselves in recent years as sparring partners for IT managers and chief information officers (CIOs).

BUSINESS AREA SOFTWARE

REALTECH started out more than ten years ago with the development of the theGuard! product family. This work led to a globally unique software portfolio for IT management. The theGuard! products provide increased quality and security for the operation of company-wide IT infrastructures – organizations use them to analyze, monitor and optimize their networks, applications and business processes. With the right theGuard! application, they can also achieve even greater automation of their IT services and the operation of complex IT environments.

Customers regard the software products as one of the most high-performing system management solutions worldwide. The market success of theGuard! is reflected in the fact that REALTECH is now Europe's largest software manufacturer for IT management solutions. Even SAP will also be marketing selected theGuard! components in future as part of its solutions for SAP IT infrastructure management. More and more business processes at companies are based on software solutions, whether directly or indirectly, and this also demonstrates the overall potential of this market segment. Failure of these systems would bring day-to-day operations to a halt and result in a damaging loss of revenue.

REALTECH's long-standing expertise in software development has led to another important focus in this business area – REALTECH software products specially designed for SAP applications help companies to develop new SAP solutions more quickly, securely and efficiently.

CUSTOMERS AND MARKETS

Across the world, more than 2,200 customers representing all sizes and industries rely on REALTECH's consulting services and products. According to a survey, the customer satisfaction level is 95 percent. This is an excellent basis for ensuring continued success in the market in the future.

Customers that put their trust in REALTECH's theGuard! products in Germany include Capgemini Consulting, Heidelberger Druckmaschinen AG and the mechanical engineering company Tognum. Current customers in the consulting segment include the Munich-based reinsurer Munich Re, and Jungheinrich AG, one of the world's largest producers of industrial trucks. In the USA, theGuard! solutions are used, among others, by Sony Pictures, Paramount, and Kimberly-Clark, a leading manufacturer of hygiene products. In Japan, projects have been successfully implemented with Zeiss and FujiFilm.

At present, successful trends are based largely on new technology, which is demonstrated by the spread of social media platforms and products from the US company Apple. SAP is also integrating current technologies into its solutions, continually building upon its market position. REALTECH's strategy in the future will therefore also be focused on picking up on current trends in the IT market at an early stage and implementing these in consulting services and products that produce measurable added value for companies.

Energy costs and CO2 emissions successfully reduced

In 2011, REALTECH modernized the cooling system of its computer center. The aim was to keep the server, storage and network components, of which there are around 250, at the required temperature in a more cost effective and environmentally friendly manner. This was achieved by using special server cabinets – the cold air conducted across the floor is guided much more precisely to the IT components that are integrated into the cabinets. This means that less cooling air is produced by the air conditioning systems, which also reduces energy consumption significantly. REALTECH expects the energy efficiency of the computer center to improve by up to 25 percent.

More than 2,000 draw on the expertise of 300 highly qualified REALTECH consultants.

CONFIDENCE

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. Its business development 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 associated companies at which REALTECH AG holds the majority of votes.

The number of consolidated companies has been reduced compared to the end of June 2011 due to the exclusion of REALTECH System Consulting, S.L., Madrid, Spain.

Business segments and organizational structure

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

The combination of technical expertise and business and strategic consulting produce a service portfolio that is being requested more and more by senior management.

Consulting business segment An important unique selling point in favor of REALTECH is the combination of specialist technical knowledge of SAP and supplementary process consulting. Consultants jointly develop innovative IT landscapes with the customer that support the strategic company goals in the long term. The IT-based business processes that create a competitive edge for companies build upon these solutions. Global partnerships between REALTECH and SAP help customers to integrate international sites into one overall IT environment.

The combination of technical expertise and business and strategic consulting produce a service portfolio that is being requested more and more by senior management. In recent years, REALTECH consultants have established themselves as advisors for senior management such as IT managers.

Software business segment REALTECH began more than ten years ago with the development of the theGuard! product family, and now has a globally unique software portfolio for the monitoring and secure operation of IT systems that are used across companies. REALTECH is the largest manufacturer of IT service management solutions in Europe.

Customers view the theGuard! products as one of the most high-performing solutions worldwide. SAP will also market selected theGuard! components in future as part of their solutions for SAP IT infrastructure management.

Long-standing expertise in software development has led to another important focus in this business area – software products specially designed for SAP applications help companies to develop new SAP solutions more quickly, securely and efficiently.

COMPANY MANAGEMENT

The REALTECH Group's business segments 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 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 segments
- 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 segment managements in order to then systematically 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 segment managements are informed each month about the development of key parameters and operational leading indicators of the Group and its business segments. 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).

The REALTECH Group is controlled by means of regular strategic discussions at the Executive Board level and with the business segment managements. Information is based on a management information system (MIS).

Numerous operational leading indicators, such as assessment of market potential, also form the basis for business policy decisions, allowing us to exploit 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 and divestments. Potential investment projects are usually evaluated 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.

38,000
job vacancies for IT experts in Germany there is still a high demand for well-trained specialists in the IT industry. However, REALTECH as an attractive employer also gained new and highly qualified employees.

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

There is still a high demand for well-trained specialists in the IT industry. The industry association BITKOM estimated that at the end of 2011 there were 38,000 job vacancies for IT experts in Germany – around 10,000 more than at the end of 2010. According to the companies surveyed by BITKOM, the shortage of experts has worsened. Around 16,000 of the vacancies for IT experts were in the information and communications technology industry, and the majority of them were with providers of software and IT services. The demand for software developers was correspondingly high.

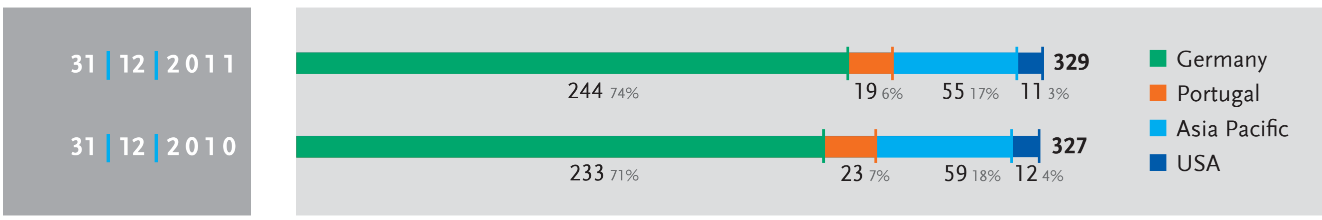
After the end of the economic crisis in mid-2010, the employment market regained momentum. This was reflected at REALTECH by increased fluctuation in 2011. However, REALTECH also gained new and highly qualified employees. New hirings included very experienced experts from well-known companies who can now continue to develop in their specialist areas at REALTECH.

As of December 31, 2011, the REALTECH Group employed 329 employees, two more than at the end of 2010. Of those employed, 244 worked in Germany, compared to 233 as of December 31, 2010. This means that around 74 percent (previous year: 71 percent) of employees work in Germany and 26 percent (previous year: 29 percent) at international sites. For the purposes of comparison, the figures for the subsidiary REALTECH Spain, which was sold in 2011, have been eliminated. In the year under review, fluctuation was 21 percent, compared to 19 percent in 2010.

A home for experts with a passion for technology

REALTECH's unique selling point on the employment market continues to be that versatile consultants and technology-savvy developers can feel at home among like-minded people. For instance, REALTECH

Employees according to regions



consultants also support customers with cutting-edge topics such as cloud computing and in-memory computing. The broad product portfolio gives developers a host of opportunities for personal development. Further attractive employment opportunities can be found in sales and distribution and related areas.

Employees benefit from flat hierarchies, which enable them to get actively involved. Employees consider the internal network to be particularly beneficial.

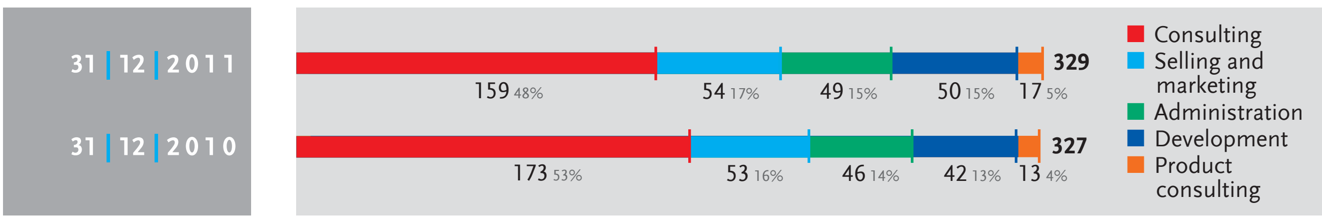
Employees continue to benefit from flat hierarchies, which enable them to get actively involved. The friendly and trusting relationships with one another help to create a pleasant work environment. Internal training sessions, specialist groups, blogs and further information platforms even make it possible for colleagues to exchange ideas about current developments at an international level. REALTECH employees consider this network to be particularly beneficial.

Customers and partners have valued the expertise, commitment and reliability of REALTECH employees for years. Their skills and expert knowledge secure REALTECH's leading market position and create decisive competitive advantages. We therefore place great value on extensive training and professional development. The spectrum ranges from specialist training seminars through to methodological training. Attractive career models also help us to retain employees in the long term.

15 new junior consultants

To recruit employees, REALTECH uses online job portals, career forums and university fairs. The interesting boat trips in Hamburg and Heidelberg in early summer also attracted attention among up-and-coming specialists and led to the recruitment of several new employees. REALTECH recruited 15 junior consultants in the year under review, which was particularly pleasing. This trend is set to continue in the next three years. Furthermore, for 2012, four medium-sized business bursary scholarships were announced for the first time at the University of Mannheim, thus strengthening contact with the university. Fall 2011 saw the conclusion of the "BA degree in consulting" pilot project, which was launched three years previously: all three business informatics specialists who trained in this way accepted a position in consulting. Three new agreements with BA students have already been signed for the 2012 training year. Another three new places to train as an IT specialist for system integration were also added. In the first quarter of 2012, it was also clear that the positive trend of 2011 is continuing. Nine new employees took part in the "Step-in" program, for example. As a result of this positive experience, the project is scheduled to continue.

Employees according to areas



Further expansion planned

New hirings are also planned in 2012. REALTECH will therefore be actively represented at events such as career forums and at university fairs. As part of “onboarding weeks”, new colleagues can familiarize themselves with working life at REALTECH and the REALTECH portfolio. The company will also prepare junior consultants for starting out in SAP consulting within nine weeks, as part of its Step-In programs. The most helpful people when it comes to finding suitable candidates in 2012 will again be satisfied employees. Personal recommendations allowed REALTECH to successfully fill countless vacancies in 2011.

RESEARCH AND DEVELOPMENT

REALTECH’s theGuard!, a product family developed in-house by the company, provides corporate customers with an end-to-end solution for IT service management. This discipline covers the operation of all software and hardware components in an organization and therefore has a decisive influence on the use of IT systems deployed throughout the company. Functions include automatic recognition of all components within the IT landscape and the networking type of the devices and software with each other. The application also allows systems to be monitored permanently and alerts IT administrators early in the event of an error. It also supports stocktaking and asset management and automated execution of changes to the systems. An important characteristic of the REALTECH solution is that all disciplines are networked very closely in terms of functionality, and all configuration data is stored centrally in accordance with recognized standards such as ITIL.

SAP will launch the new REALTECH solution in 2012 as its own software product under the name SAP IT Infrastructure Management.

Development work in 2011 centered on enhancements of theGuard! software to allow a comprehensive solution tailored to SAP as part of the OEM agreement signed with SAP in 2011. This means that parts of theGuard! products can be integrated directly and comprehensively with SAP systems, providing SAP users with information about their general IT inventory of hardware and software for the first time. SAP will launch the new solution in 2012 as its own software product under the name SAP IT Infrastructure Management.

In addition to this, REALTECH experts implemented specific enhancements in theGuard! in a further project together with SAP to support new technologies, such as cloud computing, even more purposefully. These new features are aimed particularly at the requirements of IT service providers and computer center operators who operate complex applications using theGuard! components.

In September 2011, REALTECH also signed an OEM agreement with the Heidelberg-based development company Virtual Forge GmbH. The agreement aims to integrate the CodeProfiler software tool from Virtual Forge into theGuard! The CodeProfiler tool allows developers to detect security vulnerabilities in SAP programs developed in house in a largely automated manner. With this project, REALTECH is expanding its portfolio to include a highly specialized solution for intelligent and secure application development for SAP software.

In addition, REALTECH has consistently expanded its own software products for the SAP application development area. SAP customers thus have effective support for software development, allowing IT experts to enhance critical applications securely and in accordance with important documentation requirements.

EUR **4,298** thousand was the investment in Research and Development (R&D) in the 2011 fiscal year.

With now **50** people employed in Germany the area of Research and Development was further expanded.

Research and development costs

Research and development costs include costs that are generated in relation to the development of our software solutions, including personnel and hardware costs for the development systems.

Development activities comprise the use of research results or other knowledge to form a plan or draft for new or significantly improved software products before commercial use begins. Development expenses are only activated when all the following criteria have been fulfilled:

- The expenses that can be attributed to the development of the intangible asset can be reliably determined
- The technical and economic feasibility of completion is guaranteed
- Future economic benefits are probably and
- The intention is to complete the immaterial asset in order to use or sell it.

At our company, the criteria for the use of immaterial assets produced in-house through software development are only completely fulfilled shortly before the product becomes market ready. Development costs that occur once the activation criteria have been fulfilled are not significant. Consequently, we record all research and development costs as expense at the time they occur.

In the 2011 fiscal year, investment in Research and Development (R&D) was EUR 4,298 thousand. Compared to the previous year (EUR 3,623 thousand) this expenditure rose by 19 percent. Accordingly, R&D activities as a share of total revenue increased from 9 to 11 percent. On December 31, 2011, the Group employed 50 people in the area of Research and Development at its Walldorf and Schweitenkirchen sites in Germany (previous year: 42 employees). Cooperation agreements with REALTECH Portugal as a development site (4 employees) and collaboration with the partner EBS in Romania for support and development (10 employees) further expanded the R&D area.

Prospects

In 2012, REALTECH will focus R&D activities on localizing and internationalizing the portfolio, to further support the requirements arising from the OEM agreement with SAP. Furthermore, REALTECH will also adapt the theGuard! portfolio consistently to new technologies in 2012; for example, to support Microsoft Hyper-V virtualization technology.

The integration of in-house products into SAP application systems will also be expanded. The aim is to provide customers with a fully integrated solution for commercial operation of their IT landscape.

To provide even greater support for change management processes in the future, that is, processes involving the ongoing development of IT systems, REALTECH will launch a new solution based on its existing products. With this application, REALTECH is responding to the trend for more and more companies to have their SAP software developed with the help of external suppliers. The required coordination and approval processes, closely integrated with the required information for planning, analysis, monitoring and documentation, are to be included in the development of the new REALTECH software.

EARNINGS, FINANCIAL SITUATION AND ASSETS

GENERAL ECONOMIC CONDITIONS

The German economy grew by 3 percent in 2011. However, according to the German Federal Statistical Office, the upturn took place mainly in the first half of the year; gross domestic product (GDP) fell slightly in the fourth quarter. In the annual economic report for 2012, the German government anticipates GDP growth of 0.7 percent for the current year. The slowdown can be explained by uncertainty on the capital markets regarding the high levels of government debt in the eurozone and the lack of competitiveness of some euro countries. Following a temporary period of weakness, the economy is expected to pick up again over the course the year, writes the German Federal Ministry of Economics. The growth driver here is solely domestic demand. Leading German economic researchers also expect Germany to be able to avoid a recession in 2012.

The consulting business segment recorded revenues of EUR 26,434 thousand and contributed 67 percent to Group revenue. The software business segment contributed EUR 12,744 thousand to total revenue or 33 percent.

In early January, the World Bank significantly revised its expectations for economic development in 2012 downwards – the global economy is expected to grow by just 2.5 %, while the eurozone, with a 0.3 % decline, is even expected to dip into recession as a result of the debt crisis. In June 2011, the World Bank had anticipated global growth of 3.6 percent and eurozone growth of 1.8 percent. The International Monetary Fund (IMF) expects the global economy to grow by 3.3 percent in 2012, following 3.8 percent growth in 2011. For China, experts anticipate GDP growth of 8.2 percent, and growth of 1.8 percent for the USA. In contrast, the IMF expects the eurozone economy to shrink by 0.5 percent, after having grown by 1.6 percent in 2011. The IMF is predicting GDP growth of 0.3 percent for Germany, which is lower than the German government's forecasts.

The outlook for the IT industry is much more positive. The prestigious market research company IDC forecasts that overall global IT expenditure will increase by 6.9 percent in the coming year to 1.8 trillion US dollars. The emerging markets account for more than half of this growth; these include the BRIC countries (Brazil, Russia, India and China) and markets such as Indonesia, Vietnam and Saudi Arabia. China is also expected to replace Japan as the world's second largest IT market in the course of the year.

EARNINGS

With EUR **39,178** thousand in fiscal year 2011, the REALTECH Group's revenues were roughly on a par with the previous year.

Group business development

		2011 EUR	2010 EUR
Revenue		**39.177.654**	**39.500.111**
Gross profit		**16.944.359**	**17.954.905**
Selling and marketing expenses		(7.614.695)	(6.478.954)
Administration expenses		(4.974.383)	(4.664.852)
Research and development expenses		(4.297.870)	(3.622.673)
Other operating expenses		(935.077)	(1.045.675)
Other operating income		1.045.418	2.037.484
Operating profit		**167.753**	**4.180.236**
Finance income		(205.200)	(195.966)
Profit before tax from continuing operations		(37.447)	3.984.269
Income tax expenses		(172.565)	(2.378.498)
Profit for the year from continuing operations		(210.012)	1.605.771
Profit for the year from discontinued operations		1.108.764	(2.966.352)
Profit for the year		**898.752**	**(1.360.581)**
Profit attributable to:	- Owners of the company	806.128	(1.374.089)
	- Non-controlling interests	92.624	13.508

At the end of 2010, the Italian subsidiary REALTECH Italia S. p. A was sold as part of a management buyout and thus deconsolidated at Group level. The revenue and cost attributable to the Italian company and their contribution to income were deducted and are presented under income from operations as income from discontinued operations.

In mid-2011, the Spanish subsidiary REALTECH System Consulting S. L was also sold as part of a management buyout and thus deconsolidated at Group level. The revenue and cost attributable to the Spanish company and their contribution to income were deducted and are presented under income from operations as income from discontinued operations.

Therefore, the following figures for 2011 are presented and explained without the Spanish company and the figures for 2010 are presented and explained without the Spanish company and without the Italian company. The explanation refers to the amounts and information disclosed in the consolidated financial statements.

In fiscal year 2011, the REALTECH Group's **revenues** were roughly on a par with the previous year at EUR 39,178 thousand (EUR 39,500 thousand). The sales revenues are divided between the consulting and software business segments.

We generate the majority of **consulting revenues** through consulting for the development of future-oriented IT infrastructures, the failsafe operation of SAP systems, the integration of international customer sites into one comprehensive IT landscape and the migration of databases and operating systems to new platforms. The consulting business segment recorded revenues of EUR 26,434 thousand, slightly below those of the previous year (EUR 26,597 thousand), as a result of lower capacity utilization. As in 2010, Consulting contributed 67 percent to Group revenue.

Software revenues are partially generated from license fees, which we earn by selling our theGuard! product range to customers. In addition, software revenues include revenue that we earn through technical customer support and due to software maintenance agreements. At EUR 12,744 thousand, revenues in the software business segment were slightly below the previous year's level (EUR 12,903 thousand). Accordingly, the software segment's contribution to total revenue remained 33 percent.

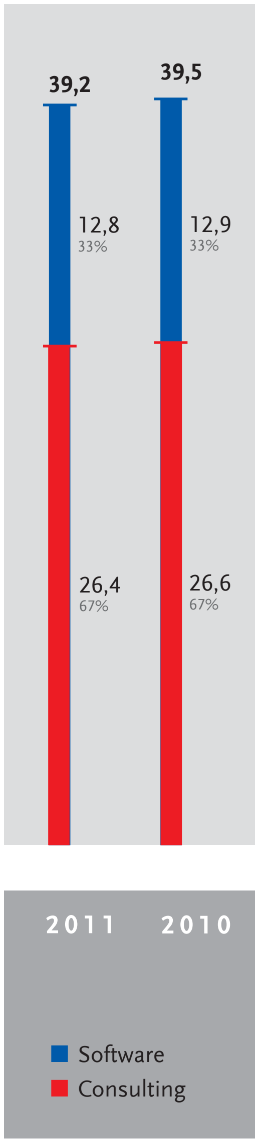
The **cost of sales** is primarily made up of personnel expenditure for consulting personnel and expenditure for consulting and training services bought in from external providers. In the year under review, the cost of sales increased by 3 percent from 21,545 thousand to 22,233 thousand. Based on revenue, the figure rose from 55 percent to 57 percent.

Gross profit decreased by six percent, from EUR 17,955 thousand to EUR 16,944 thousand, chiefly as a result of reduced capacity utilization among our consulting experts in comparison to the previous year. The value of this figure as a percentage of revenue fell from 46 percent to 43 percent.

Selling and marketing expenses are primarily composed of personnel expenditure and costs from direct sales to support selling and marketing of our consulting and software. The selling and marketing expenses increased by 18 percent to EUR 7,615 thousand (previous year: EUR 6,479 thousand) and represented 19 percent of revenue (previous year: 16 percent). This increase is primarily the result of the expansion of our sales team and marketing activities related to intensifying our collaboration with SAP.

Administration expenses chiefly comprise personnel expenses in support of our financial and administrative roles. The administration expenses rose 7 percent from EUR 4,665 thousand to EUR 4,974 thousand. As a percentage of total revenue, this figure thus increased from 12 percent to 13 percent. The key reason for this was personnel restructuring measures

Revenues according to areas
(millions EUR)



The majority of our **research and development** (R&D) expenses are a result of personnel expenses for our R&D employees, costs for independent service providers, who we commissioned to support us in our research and development activities, and depreciation for the computer hardware and software used in the course of our research and development activities. In the year under review, REALTECH invested EUR 4,298 thousand in research and development. This represents an increase of 19 percent compared with the previous year's figure of EUR 3,623 thousand. As a share of revenue, this expenditure rose from 9 percent to 11 percent. This increase is essentially due to technological adjustments to our own theGuard! software in accordance with the marketing agreement with SAP.

Other operating expenses fell by 11 percent from EUR 1,046 thousand to EUR 935 thousand. These are made up for the most part of expenses from rental, tenancy and operating lease agreements as well as exchange rate losses. **Other operating income** essentially comprises rental income from the use of the office building in Walldorf by third parties. This fell 49 percent from EUR 2,038 thousand to EUR 1,045 thousand due to the office building being empty for some time during the year under review. However, since the beginning of 2012, we have again achieved full rental occupancy.

A lack of profitability in the Consulting segment in Germany, the environmental disaster in Japan, temporary rental vacancies and high investments stressed the operating profit.

Operating profit (EBIT) fell in the 2011 fiscal year to EUR 168 thousand (previous year: EUR 4,180 thousand). Consequently, the operational margin fell from 11 percent to 0 percent. Accordingly **EBITDA** decreased from EUR 5,331 thousand to EUR 1,406 thousand. Compared with the previous year, operating profit was negatively influenced by a lack of profitability in the Consulting segment in Germany, lower business volumes in the Japanese subsidiary as a result of the environmental disaster in Japan in March 2011, expenses for severance payments and temporary rental vacancies in our office building. Furthermore, our intensified collaboration and joint marketing approach with SAP AG led to investments in the sales and marketing area, in particular, as well as in research and development.

Segment income consulting declined by 53 percent from EUR 1,628 thousand to EUR 773 thousand. The operational margin amounted to 3 percent (previous year: 6 percent). **Segment income software** decreased by 57 percent from EUR 3,892 thousand to EUR 1,689 thousand. The operational margin was 13 percent, compared with 30 percent in the previous year.

The **finance income** was minus EUR 205 thousand, having been minus EUR 196 thousand in the previous year. This is made up of interest income and interest expenses. The interest income of EUR 155 thousand (previous year: EUR 79 thousand) was primarily a result of loans and other financial receivables (cash and cash equivalents. The rise was essentially due to increased average cash and cash equivalents compared with the previous year. The interest expenses of EUR 360 thousand (previous year: EUR 275 thousand) mostly comprised financial liabilities. The increase compared with the previous year was primarily a consequence of higher interest expenses for financial leasing.

As a result of the weaker earnings situation in the year under review and following tax amendments in the previous year for the years 2003 through 2009, **income tax expenses** fell from EUR 2,378 thousand to EUR 173 thousand in 2011. This figure is composed of the actual tax expense of EUR 509 thousand (previous year: EUR 3,459 thousand) and the deferred tax income of EUR 336 thousand (previous year: EUR 1,081 thousand).

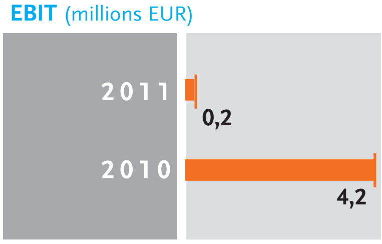
Profit for the year from discontinued operations rose by EUR 4,075 thousand from minus EUR 2,966 thousand to EUR 1,109 thousand. The previous year‘s figure was particularly affected by REALTECH Italia S. p. A. The company‘s 100-percent holding in this company was sold at the end of December 2010. The previous year‘s income from discontinued operations is made up of the annual net income for 2010 of REALTECH Italia of minus EUR 1,184 thousand, the income from deconsolidation of minus EUR 872 thousand and the EUR 1,360 thousand impairment for the loan granted to the Italian company. Furthermore, the income from discontinued operations from the previous year includes the 2010 annual net income, EUR 450 thousand for REALTECH System Consulting S. L., Spain, which was sold in June 2011.

The **profit for the year** from discontinued operations in the year under review includes the annual net income from 2011 of EUR 135 thousand and the income from deconsolidation of REALTECH Spain, amounting to minus EUR 386 thousand. In addition, it includes the reversal of impairment losses of EUR 1,360 thousand for the impaired loan to REALTECH Italia thanks to receipt of a suitable banker‘s guarantee.

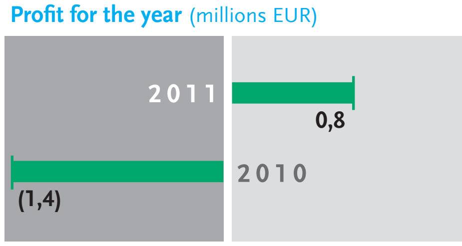
The original 2010 **profit for the year** of minus EUR 1,454 thousand to be attributed to the shareholders of the parent company was increased by EUR 80 thousand to minus EUR 1,374 thousand due to corrections made in accordance with IAS 8. The profit for the year thus improved from minus EUR 1,374 thousand to EUR 806 thousand in fiscal year 2011. With a significant decrease in income from operations this was due to a fall of EUR 2,205 thousand in income taxexpenses and the profit for the year from discontinued operations, which rose by EUR 4,075 thousand. Based on the average number of 5,367,402 shares, this amounts to **earnings per share** of EUR 0.15 (previous year: minus EUR 0.26 at 5,322,552 shares) for parent company shareholders.

The profit for the year improved from minus
1,374
thousand to EUR
806
thousand in fiscal year 2011.

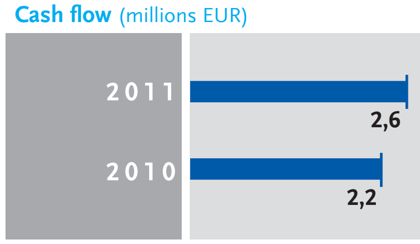
EBIT (millions EUR)



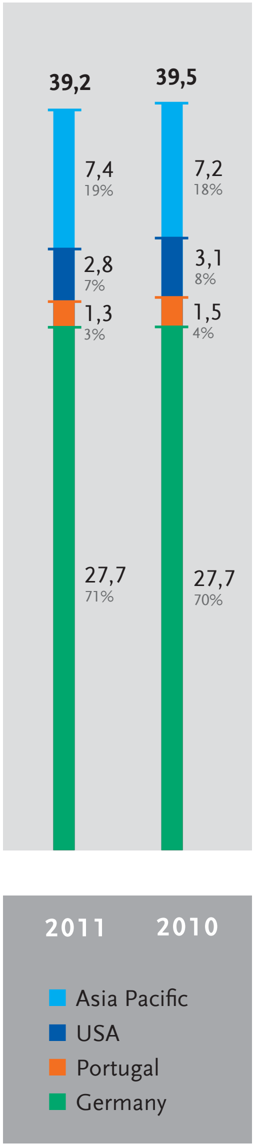
Profit for the year (millions EUR)



Cash flow (millions EUR)



Revenues according to regions
(millions EUR)



Business development in the various regions

We divide our operating activities into the following four regions: Germany, Portugal, USA and Asia Pacific. The Asia Pacific region is made up of Japan, New Zealand and Singapore The income is broken down according to the location of the REALTECH company. Further information on operating activities in the individual regions can be found in Note 17 Segment information of the notes to consolidated financial statements. In fiscal year 2011, the regions recorded differing revenue developments – in **Germany**, revenue remained on a par with the previous year at EUR 27,668 thousand (EUR 27,687 thousand). This means that 71 percent (previous year: 70 percent) of the Group's revenue was generated in Germany. REALTECH revenue generated abroad amounted to EUR 11,510 thousand (previous year: EUR 11,813 thousand). The share of total revenue was 29 percent (previous year: 30 percent).

In **Portugal**, the subsidiary's revenue fell by 13 percent from EUR 1,475 thousand to EUR 1,285 thousand. This region's contribution towards Group revenue decreased from 4 percent to 3 percent. In the **USA** the subsidiary generated revenue of EUR 2,811 thousand after EUR 3,165 thousand in the previous year (minus 11 percent). The contribution to Group revenue fell 8 percent to 7 percent. The **Asia-Pacific region**, on the other hand, recorded growth of 3 percent from EUR 7,173 thousand to EUR 7,414 thousand. This region's contribution towards Group revenue increased from 18 percent to 19 percent.

The development of income thus varied in the individual regions – In **Germany,** the gross profit fell by 7 percent and the gross margin decreased from 50 percent to 47 percent. Administrative costs simultaneously rose by 5 percent. Both effects were primarily due to personnel restructuring measures and decreased consultant capacity utilization. As a direct result of further intensification of our collaboration with SAP, sales and marketing costs rose by 19 percent and research and development costs by 18 percent. Other operating income fell because the second office building could only be partially rented out during the year under review. As of January 1, 2012, we had again achieved full rental occupancy. In summary, income from operations of the German REALTECH companies fell from EUR 3,195 thousand to minus EUR 364 thousand.

In **Portugal**, the company's income from operations decreased by EUR 355 thousand to minus EUR 120 thousand. In this case, the change was particularly the result of a reduction in revenue while the cost of sales increased. After experiencing positive development in the previous year, the **USA** region was able to improve income from operations further to EUR 119 thousand (previous year: EUR 61 thousand). In contrast, the **Asia-Pacific** region saw a 56 percent fall in EBIT to EUR 243 thousand (previous year: EUR 552 thousand). Income from operations in Japan rose by 59 percent to EUR 396 thousand, despite negative external influences, while New Zealand – at minus EUR 85 thousand following EUR 342 thousand – and Singapore – minus EUR 67 thousand after minus EUR 39 thousand – faced considerable pressure.

FINANCIAL SITUATION AND ASSETS

Consolidated statement of financial position structure

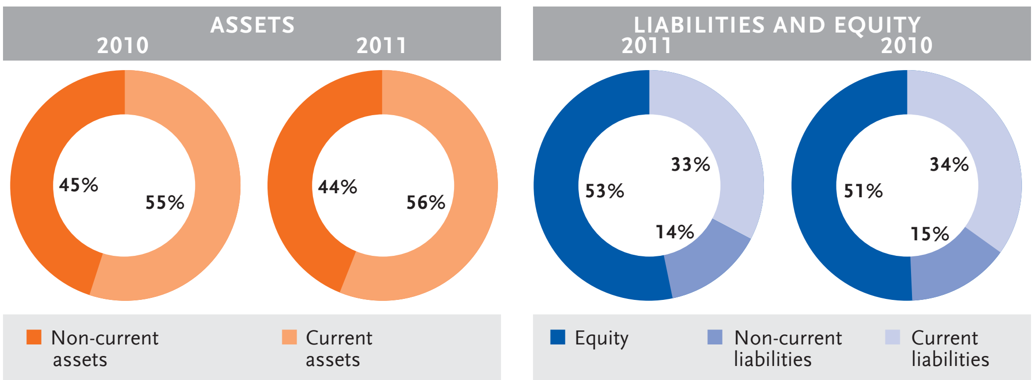
	31.12.2011 EUR	31.12.2010 EUR
ASSETS		
Total current assets	28.036.543	27.420.493
Total non-current assets	21.978.539	22.008.465
Total assets	50.015.082	49.428.958
LIABILITIES		
Total current liabilities	16.480.838	16.846.933
Total non-current liabilities	6.985.089	7.179.004
Total liabilities	23.465.927	24.025.937
Total equity	26.549.155	25.403.021
Total liabilities and equity	50.015.082	49.428.958

The equity capitalization continues to form a sound basis for realizing further growth targets.

Compared with the figure for the same day in the previous year, **total assets** rose by 1 percent, from EUR 49,429 thousand to EUR 50,015 thousand The increase in cash and cash equivalents combined with a simultaneous reduction in trade receivables was primarily responsible for this development. The **equity ratio** increased from 51.4 percent to 53.1 percent. The equity capitalization continues to form a sound basis for realizing further growth targets.

On the balance sheet date, the REALTECH Group had **cash and cash equivalents** of EUR 13,220 thousand (previous year: EUR 6,361 thousand).

Consolidated statement of financial position structure (end of year)



Investment and financing

The consolidated statement of cash flows can be summarized as follows:

	2011 TEUR	2010 TEUR
Net cash flows from operating activities	2.545	2.240
Net cash flows from investing activities	4.331	(1.119)
Net cash flows from financing activities	(50)	(2.622)
Effects of exchange rate changes on the balance of cash held in foreign currencies	33	558
Net increase/(decrease) in cash and cash equivalents	6.859	(943)
Cash and cash equivalents at the beginning of the year	6.361	7.304
Cash and cash equivalents at the end of the year	13.220	6.361

The primary goal of financial management is to ensure the company's liquidity and to minimize the company's interest burden.

In the year under review the REALTECH Group reported higher net **cash flows from operating activities** of EUR 2,545 thousand, (previous year: EUR 2,240 thousand). Based on a significantly improved annual net income, the increased cash flow despite several contradictory influences can essentially be attributed to the substantial decrease in trade receivables.

Due to the cash flow following the sale of the Spanish subsidiary and repayment of loans by the former subsidiaries in Spain and Italy, the net **cash flows from investing activities** climbed to EUR 4,331 thousand (minus EUR 1,119 thousand).

The net **cash flow from financing activities** rose from minus EUR 2,622 thousand to minus EUR 50 thousand, primarily due to the suspension of the dividend payment in the year under review.

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 10. Interests in associates in the Notes to the Consolidated Financial Statements.)

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 mainly concern fixed assets and deferred taxes.

REALTECH AG is the parent company of the REALTECH Group. Activities essentially include the management of the Group where REALTECH AG has a direct interest of 100 percent in most of its subsidiaries.

REALTECH AG condensed income statement

	2011 EUR	2010 EUR
Other operating income	3.803.169,06	73.599,23
Personnel expenses	(1.317.037,73)	(975.910,81)
Depreciation of intangible assets of fixed assets and property, plant and equipment	(6.406,47)	(8.945,49)
Other operating expenses	(1.176.852,43)	(6.321.418,78)
Income from investments	1.967.640,66	3.121.474,94
Other interest and similar income	142.484,78	171.470,05
Depreciation of financial investments	0,00	(1.359.594,07)
Interest and similar expenses	(5.500,00)	(5.500,00)
Income before interest and taxes	**3.407.497,87**	**(5.304.824,93)**
Income taxes	(40.000,00)	2.214.993,22
Other taxes	(138,83)	(264,78)
Net income	**3.367.359,04**	**(3.090.096,49)**
Retained profits brought forward from the previous year	0,00	348.300,51
Withdrawals from the additional paid-in capital	0,00	2.741.795,98
Retained earnings	**3.367.359,04**	**0,00**

Personnel expenses, in particular, showed the effects of the changes in the Executive Board.

Earnings of REALTECH AG

Other operating income increased from EUR 74 thousand to EUR 3,803 thousand. This was mainly due to revenue from the sale of REALTECH System Consulting S. L., Madrid, Spain in June 2011 of EUR 2,396 thousand. Furthermore, the allowance for the claim arising from a loan to REALTECH Italia S. p. A. from 2010 was recognized in income due to a reversal of impairment losses of EUR 1,360 thousand after a surety was received.

Personnel expenses, in particular, showed the effects of the personnel changes in the Executive Board. These are presented in more detail as part of the remuneration report.

Other operating expenses decreased from EUR 6,321 thousand to EUR 1,177 thousand. The previous year's expenses were affected, in particular, by the waiving of a claim for EUR 3,483 thousand for an assigned tax claim to the 100-percent subsidiary REALTECH Verwaltungs GmbH and the sale of the Italian subsidiary.

Income from investments decreased by EUR 1,153 thousand. This was essentially due to the net income of the German subsidiaries in 2011. Income from investments also contains dividends of EUR 213 thousand of REALTECH Japan Co., Ltd., Tokyo and EUR 582 thousand of REALTECH Ltd., Auckland, New Zealand.

In the year under review, the holding recorded a **net income** of EUR 3,367 thousand (previous year: EUR (3,090) thousand). This was affected by the sale of the 100-percent equity investment in the Spanish REALTECH subsidiary, the reversal of impairment losses for the loan to the former Italian REALTECH subsidiary, and by income from investments.

REALTECH AG balance sheet structure

	31.12.2011 EUR	31.12.2010 EUR
Non-current assets		
Intangible assets	9.678,00	10.745,00
Property, plant and equipment	11.947,00	3.212,00
Financial assets	26.769.573,35	28.815.547,21
Current assets		
Receivables from affiliated companies	14.771.860,76	11.075.805,84
Other assets	465.712,84	93.746,67
Cash and cash equivalents	10.324.238,33	2.434.509,30
Prepaid expenses	18.750,00	22.458,00
Total assets	**52.371.760,28**	**42.456.024,02**
Equity		
Share capital	5.385.652,00	5.349.152,00
Additional paid-in capital	33.232.422,23	33.054.667,23
Retained earnings	3.367.359,04	0,00
Provisions		
Tax provisions	950.300,24	910.300,24
Other provisions	703.059,53	360.805,89
Liabilities		
Bonds	0,00	1.665,00
Trade payables	30.362,85	73.672,23
Liabilities to affiliated companies	8.439.003,08	2.081.588,64
Other liabilities	263.601,31	624.172,79
Total equity and liabilities	**52.371.760,28**	**42.456.024,02**

On December 31, 2011, REALTECH AG recorded retained earnings of EUR **3,367** thousand (previous year: EUR **0** thousand).

Financial situation and assets of REALTECH AG

The decrease in **financial investments** by EUR 2,046 thousand to EUR 26,770 thousand and the increase in cash by EUR 7,889 thousand is largely due to the sale of the REALTECH international subsidiary in Spain. Alongside the purchase price payments, all loans issued to the subsidiary were repaid in full.

On December 31, 2011, REALTECH AG recorded **retained earnings** of EUR 3,367 thousand (previous year: EUR 0 thousand) and employed 2 employees on average (previous year: 2).

The consolidated statement of cash flows for REALTECH AG can be summarized as follows:

	2011 TEUR	2010 TEUR
Cash flow from operating activities	1.888	2.315
Cash flow from investing activities	5.787	(4)
Cash flow from financing activities	214	(2.367)
Change in cash funds from cash-relevant transactions	7.889	(56)
Cash and cash equivalents at the beginning of the period	2.435	2.491
Cash and cash equivalents at the end of the period	10.324	2.435

In fiscal year 2011, REALTECH AG achieved a **cash flow from operating activities** of EUR 1,888 thousand (previous year: EUR 2,315). A key factor in this reduction, in spite of net income amounting to EUR 3,367 thousand (previous year‘s loss item: minus EUR 3,090 thousand) was the significantly higher number of receivables from associates compared with the previous year.

The substantial increase in **cash flow from investing activities** from minus EUR 4 thousand to EUR 5,787 thousand was a result of the sales proceeds made from the sale of the 100 percent equity investment in REALTECH Spain, as well as the repayment of loans by the former REALTECH subsidiaries in Spain and Italy.

The **cash flow from financing activities** rose from minus EUR 2,367 thousand to EUR 214 thousand, primarily due to the suspension of the dividend payment in the year under review.

Risk report of REALTECH AG

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 subsidiaries due to its equity interest. The risks are presented in the risk and opportunity report.

Based on the investments made in 2011, including in a new strategic orientation, and in view of the negative impact on earnings due to loss of rental income at the headquarters in Walldorf, REALTECH AG expects a continued improvement in income and increased revenue volume in 2012. 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.

Based on the investments made in 2011, including in a new strategic orientation, and in view of the negative impact on earnings due to loss of rental income REALTECH AG expects a continued improvement of the profit for the year in 2012.

APPROPRIATION OF INCOME

REALTECH AG's annual financial statements form the basis for the resolution to be passed during the General Meeting on the appropriation of income. In the year under review the net profit recorded by REALTECH AG was EUR 3,367 thousand, compared with EUR 0 thousand in 2010. At the General Meeting REALTECH AG's Executive and Supervisory Boards are proposing a dividend of EUR 0.30 per share for fiscal year 2011 from the company's net profit. The two committees passed these resolutions on February 27, 2012.

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.

RISK REPORT

As a company with global operations, the REALTECH Group 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 Group. 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.

REALTECH has a comprehensive risk management system which allows the company to detect risks early and to take appropriate corrective action.

Uniform risk assessment throughout the 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 in view of the associated economic benefits.

Clearly defined risks

To create transparency regarding all risks that exist in the Group and also to facilitate 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 a danger to the company's continued existence.

The company reviews its risk management guidelines and risk map on an annual basis and modifies them where necessary.

The company reviews its risk management guidelines and risk map on an annual basis and modifies them where necessary. Each year, the auditor analyzes 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 2011, the environment in which the REALTECH Group was operating was influenced by the uncertainties surrounding the global economy, which were triggered largely by the sovereign debt crisis in the eurozone. This was reflected in tougher conditions on the capital markets and customers' reluctance to invest. Leading economic research institutes have already lowered their forecasts for the German economy in 2012. Late receipt of payments, uncollectible receivables and the possibility of customers and business partners becoming insolvent may also affect the Group's development in 2012.

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 the key world markets give the company the flexibility to compensate for regional economic difficulties with 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 it unlikely that these risks will take effect and believes their consequences to be minimal, thanks to the high level of convergence of legal regulations and tax regimes.

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.

Market risks

The entire IT industry continues to be characterized by consolidation. A potential consequence of these mergers and acquisitions is increased competition due to new or stronger competitors, and this could lead to falls in revenue.

Concentrating on solutions from SAP makes REALTECH largely dependent on the market acceptance of these products. 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, in order 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. 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

REALTECH's highly qualified employees form the basis for developing and marketing 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 do not contain a 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 continues to be strong, it is not possible to guarantee that REALTECH will be able to retain its top performers in the long term. Due to its extensive activities aimed at retaining employees, the company considers the risk of suffering any real impairment to its business development as a result of losing managers and employees to be low at present.

Communication and information risks

In recent years, REALTECH has implemented a range of measures to counteract the risk of internal, confidential announcements as well as information regarding highly sensitive topics, for instance future strategies and products, being passed on to the general public incorrectly or too early. These measures include binding company-wide security standards and guidelines on internal and external communication. Furthermore, IT precautions have been taken which prevent confidential information being forwarded via external communications networks. Employees who regularly work with confidential information receive special hardware that includes 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 are hedged by a central financial management system, a credit management system, as well as by stringent receivables management and checks on creditworthiness.

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 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.

Our future liquidity, the credit risk and assessment of our financial investments and receivables can be affected by negative developments in the global economy. We have a central financial management. The most important goal is to ensure a minimum Group liquidity level in order to guarantee our ability to pay. Our cash and cash equivalents are primarily invested at financial institutions that are protected through deposit guarantee funds. On December 31, 2011, our net liquidity was EUR 13.2 million (December 31, 2010: EUR 6.4 million). In addition, we have an operational cash flow that is primarily made up of recurring income.

Other financial risks are hedged by a credit management system, as well as by stringent receivables management and checks on creditworthiness.

All REALTECH solutions, as well as all new product versions, are subject to a comprehensive quality assurance procedure.

Operational 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.

In principle, 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 changes in case law 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.

Opportunity management

REALTECH operates in a dynamic market environment in which new opportunities are constantly emerging. Systematically recognizing and using these, while avoiding unnecessary risks, is a key factor for the sustainable growth of our company. For this reason, opportunity and risk management is closely linked at REALTECH. Opportunities refer to internal and external potential that could have a positive affect on the company. Our opportunity management is closely aligned to our strategy for sustainable growth.

REALTECH operates in a dynamic market environment in which new opportunities are constantly emerging. Systematically recognizing and using these, while avoiding unnecessary risks, is a key factor for the sustainable growth of our company.

To enable successful opportunity management, we are extensively concerned with market and competition analyses, orienting our product range, cost drivers and critical success factors within our industry. From this, we derive specific market opportunities, which the Executive Board agrees on with the operational management as part of business planning and agreement of targets. In general, REALTECH adopts an approach that takes account of an appropriate ratio of opportunities and risks.

FORECAST REPORT

According to the European Information Technology Observatory (EITO), the European IT market will grow by 2.7 percent to EUR 320 billion in 2012, following a decline of 0.6 percent in 2011. The weak economy and uncertainty are expected to impact on IT demand in particular in the countries that are most affected by the crisis in Europe. However, there are better forecasts for the software industry in mainland Europe – revenue from system and application programs throughout Europe is forecast to grow by 4.6 percent to around EUR 70 billion in 2012. The German association for the industry (BITKOM) anticipates that next year the market for information and communications technology (ICT) in Germany will exceed the EUR 150 billion mark for the first time. An increase of 2.2 percent to EUR 151.3 billion is forecast for 2012. Within the German ICT market, the IT sector is ahead with an increase of 4.5 percent to EUR 73 billion. Software revenue has been seeing particularly strong growth for years. After an increase of more than 5 percent in 2011, this is expected to increase again in 2012 by more than 5 percent to EUR 17 billion.

In 2011, REALTECH began adapting its long-term strategy to the economic situation on international markets. The year under review was thus shaped by initial transformations at all organizational levels.

In 2011, REALTECH began adapting its long-term strategy to the economic situation on international markets. The year under review was thus shaped by initial transformations at all organizational levels. The previously rather loosely connected business units of the company's foreign subsidiaries, offering somewhat differing service ranges, have made it increasingly difficult to generate leverage effects from synergies. Bearing this in mind, REALTECH introduced initial steps in 2011 with a particular focus on standardizing the consulting portfolio while at the same time placing an increased emphasis on products at the company's existing international subsidiaries.

Group revenue in fiscal year 2011, at EUR 39,178 thousand, remained on a par with the previous year (EUR 39,500 thousand), whereas income from operations (EBIT) fell from EUR 4,180 thousand to EUR 168 thousand. This decline in earnings was partly due to lost revenues as a result of the earthquake catastrophe in Japan in the first half of the year, poor sales in New Zealand, increased special effects due to vacancies in the REALTECH building in Walldorf, a lack of profitability in the Consulting segment in Germany and general restructuring costs in the area of human resources. On the other hand, some of the software revenues scheduled for the fourth quarter have been postponed to 2012, meaning that this profitable segment failed to have such a compensating effect as it could have. Moreover, REALTECH invested considerable sums in 2011 in research and development in order to adapt the technology of its theGuard! software to meet the marketing agreement with SAP.

Outlook

In the current fiscal year of 2012, REALTECH will be focusing in the Consulting segment on specifically strengthening its business in Germany and the USA through organic growth and an optimized service portfolio. The subsidiaries in the Asia-Pacific region already have a good size, well suited to the market. In 2011, REALTECH launched training measures in innovative and technological topic areas and is therefore in an excellent position to continue to generate attractive projects in the future. As a result of its proximity to SAP, the German consulting company in the REALTECH Group plays a particular role as a training station and know-how carrier. The company is now promoting international exchange and coordinated training more intensively than it had before.

Revenues of EUR **45 million** and EBIT of EUR **3.7 million** the Executive Board anticipates for the Group in 2012.

In the software division, following investments in product development, the main focus is now on the sales and distribution activities resulting from the new partnership with SAP, with a view to achieving the planned revenues together with the Walldorf-based corporation. At the same time, REALTECH is expanding its geographic presence for product distribution through a new subsidiary in Copenhagen, REALTECH Nordic ApS, which was already founded on January 2, 2012. The aim of the software division is to intensify the international product business – both in new countries and at the existing international subsidiaries.

The Executive Board does not rule out the possibility of acquiring companies that have their own intellectual property with regard to software or other unique selling points and that fit in with REALTECH's long-term portfolio strategy.

In addition to its significance as a workbench for REALTECH products, the Portuguese subsidiary is to play an important role in consulting in the future too. Portugal has qualified IT experts at hand and can therefore help the Group as a whole to meet its need for consultants.

In the IT industry, general economic growth is, according to numerous forecasts, relatively stable. Despite this, REALTECH needs to position itself well not only with regard to its own range of services, but also in terms of its geographical presence. The company's long-term plans are therefore founded on strategic goals. When it comes to products, REALTECH aspires to become a leading manufacturer on the IT service management (ITSM) market – a goal that its geographic expansion and new partnership with SAP should help to meet. In the consulting environment, the IT specialist will concentrate worldwide on innovative, technological topics and expand in its core countries with high-margin topics.

In view of these developments, the Executive Board anticipates that the Group will record a revenue of EUR 45 million and EBIT of EUR 3.7 million in 2012. The presentation of planned figures by segment is new: the Consulting business segment is expected to contribute EUR 29 million to this revenue figure and the Software business segment EUR 16 million. The EBIT figure is expected to be made up of EUR 2.2 million from Consulting and EUR 3.7 million from Software, with costs of EUR 2.2 million that cannot be directly attributed. On this basis, we anticipate a corresponding increase in Group net income.

We strive to achieve positive net cash and cash equivalents again in 2012. The planned capital spending excluding potential acquisitions, which we intend to fully finance from our operating cash flow, particularly involves computer hardware.

In 2013, based on the assumption that the economy will remain unchanged, we anticipate that the Group will record a revenue of EUR 53 million and EBIT of EUR 5.9 million. This revenue will be attributable to the two divisions as follows: Consulting is expected to contribute EUR 33 million and Software EUR 20 million. The EBIT figure will be generated by Consulting (EUR 2.8 million) and Software (EUR 5.5 million) with costs of EUR 2.4 million that cannot be directly attributed. We therefore expect a reasonable growth rate for the Group's net income.

In the long term, REALTECH strives to increase its revenue to EUR 77 million by 2016 (Consulting EUR 39 million, Software EUR 38 million), with both business segments achieving their target segment margins of 10 percent (Consulting) and 30 percent (Software) respectively with rising revenues. This long-term objective that the Executive Board has given itself is, alongside the content-related strategy, the key factor that determines the way the company is managed. All forecasts can be considered to have an accuracy of plus/minus 20 percent.

For the fiscal years to come, REALTECH AG is planning to increase profitability sustainably in Germany, in particular, through organic growth, an optimized service range and the partnership with SAP.

After the 2010 fiscal year, which was negatively affected by special effects from taxation, REALTECH AG was able to follow up on the previous years and ended the 2011 fiscal year with net income of EUR 3,367 thousand. This was primarily due to the sale of the Spanish subsidiary, the reversal of impairment losses for the loan to the former Italian subsidiary and the income from investments.

For the fiscal years to come, REALTECH AG is planning to increase profitability sustainably in Germany, in particular, through organic growth, an optimized service range and the partnership with SAP.

On this basis, we anticipate that we will be able to earn steady net income from our operational activities in 2012 and 2013, and that this will improve continuously in the years following this.

REALTECH AG's dividend policy for the future is focused on balancing healthy company growth with the interests of the shareholders with regard to a share of the profits gained. The Executive Board and the Supervisory Board therefore endeavor to distribute 50 percent of REALTECH's net profit to shareholders, provided that there are no unusual situations (cash and cash equivalents, planned investments or acquisitions) to consider.

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. As part of the audit of the annual and consolidated financial statements, the Deloitte & Touche GmbH auditing company from Mannheim investigated the measures taken for the early risk detection system in accordance with Section 19, Paragraph 2 of the German Stock Corporation Act (AktG).

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

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.

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 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.

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

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 fiscal 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 catalogs in Section 289, paragraph 4 and 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 (2011). To meet this requirement, the company is providing the following information:

Share capital is made up as follows: the company's share capital amounts to EUR 5,385,652.00, and is split into 5,385,652 no-par value shares. The shares are in the name of the holder. There are no shares with special rights.

The Executive Board members are required to hold company shares that they purchase in fulfilling their contractual obligation using funds from their variable remuneration for personal investment in company shares for at least three years. The Executive Board is unaware of any further restrictions that apply to voting rights or the transfer of shares.

The proportions of capital held by Mr. Daniele Di Croce, Mr. Rainer Schmidt and Mr. Peter Stier each exceed ten 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, paragraph 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, paragraph 2 of the Articles of Association.

The company's share capital has been contingently increased by up to EUR 200,300.00 by issuing up to 200,300 new shares (contingently issuable shares), in accordance with Section 4, paragraph 4 of the Articles of Association. This conditional capital increase will only be implemented to the extent to which the holders of bonds that the Executive and Supervisory Boards were authorized to issue up to May 15, 2007, based on a decision reached by the Annual General Meeting on May 16, 2002, make use of conversion rights/obligations or options. Due to the exercising of options and the expiry of conversion rights in fiscal year 2011, contingently issuable capital has decreased by a further EUR 166,500.00, which is still to be entered in the commercial register. The contingently issuable capital thus no longer exists on the balance sheet date.

The General Meeting of May 21, 2010 authorized the Executive Board to increase the share capital (authorized capital), with the approval of the Supervisory Board, by up to a total of EUR 2,647,976.00 by May 20, 2015 by issuing new no-par value bearer shares against cash and/or non-cash contributions on one or more occasions. The number of shares must increase proportionately to the company's share capital. The shareholders must be granted subscription rights; an indirect subscription right is permissible. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right in the case of fractional shares, shares issued against cash contributions at an issue price that is not significantly lower than the market price and in the case of issue against non-cash contributions for the purpose of acquiring companies, parts of companies, equity holdings or other assets related to intended acquisitions or as part of mergers. Details are defined in Section 4, paragraph 3 of the Articles of Association.

The General Meeting of May 21, 2010, in accordance with Section 71, paragraph 1, point 8 of the Stock Corporation Act (AktG), authorized the Executive Board, with the approval of the Supervisory Board, 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. The Executive Board can decide whether to purchase the shares on the stock market or by means of a public tender to all shareholders or a public invitation to tender such an offer; here, the shareholders' right to tender may be excluded. Shares that were purchased according to the above-mentioned authorization or prior to this can be used for all purposes permitted by law, in particular for redemption or disposal through means other than the stock market or an offer to all shareholders excluding shareholders' subscription rights, if the sale price to be paid in cash is not significantly lower than stock market price of the shares, or against non-cash payments for the purpose of acquiring companies, parts of companies, equity holdings or other assets related to intended acquisitions or as part of mergers. Details are defined in the authorization resolution of the General Meeting of May 21, 2010 under point 8 of the agenda.

An essential agreement, which takes effect upon a change of control resulting from a takeover bid, is the software license and distribution agreement between REALTECH Software Products GmbH and SAP AG of July 2, 2010, in which REALTECH AG is involved due to the amendment agreement of December 19, 2011. The agreement regulates license acquisition for software products of REALTECH Software Products GmbH and the marketing of these products in connection with SAP Software by SAP AG and includes a right of notice for SAP AG; for example, in the case of a change of control at REALTECH AG. This right applies if a company that directly or indirectly provides services and/or products in the area of IT, and whose annual revenues are greater than EUR 100 million, or such a company together with a person or group of persons acting in concert within the meaning of Section 2, paragraph 5 of the German Securities Takeover and Acquisitions Act (WpÜG) acquires control of REALTECH AG by directly or indirectly holding more than 30 percent of the voting shares. If notice is given due to a change of control, SAP AG receives a right of first refusal for the intellectual property rights of REALTECH Software Products GmbH and REALTECH Verwaltungs GmbH with regard to the REALTECH Integration Adapter software product. SAP AG also receives a non-exclusive, irrevocable and open-ended license to use, change and market the REALTECH theGuard! Infrastructure Manager software product – against payment of a license fee for licensing to end users – to grant sub-licenses and to create works derived from the source code.

No compensation agreements exist with Executive Board members or employees in the event of a takeover bid.

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.

The Executive and Supervisory Boards declare that REALTECH AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code subject to few exceptions.

DECLARATION ON THE MANAGEMENT OF THE COMPANY

Declaration of compliance 2011

In October 2011, 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.

“The Executive and Supervisory Boards declare that REALTECH AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code since its last declaration of compliance was made and that it has complied with the version from May 26, 2010 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).

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 systematically investigating whether it plans to specify concrete objectives regarding its composition and which objectives would be useful 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, October 27, 2011

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

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.

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 (please see the comments 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 in accordance with the annual declaration on the management of the company. 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 are therefore 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 and Supervisory Boards work together closely. This guarantees optimum use of the specific expertise of Board members and allows joint decisions to be made more quickly.

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 2011 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. There were no conflicts of interest.

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.

Working more efficiently without committees

As the Board consists of only three members, there are no committees set up in the Supervisory Board of REALTECH AG. 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

From January 1, 2011 to July 31, 2011, the Executive Board comprised three members. Mr. Nicola Glowinski resigned from the REALTECH AG Executive Board (his last day as a member was July 31, 2011) and Dr. Rudolf Caspary was appointed as the new Chief Executive Officer. The Executive Board has therefore comprised two members since August 1, 2011. Duties are shared between the members of the Executive Board and these are set out in a plan assigning business responsibilities. The Executive Board passes resolutions by simple majority of those members voting on the resolution. If there is a tie in the number of votes cast, the proposed resolution is submitted to the Chairman of the Supervisory Board with a request to mediate.

REALTECH AG's Supervisory Board is made up of three members, who are all elected by the General Meeting. The Supervisory Board elects from its members a Chairman and a Deputy Chairman. The members of the Supervisory Board are elected for a term of office up to the end of the General Meeting, which formally approves the actions of company management for the fourth fiscal year after the start of the members' terms of office. The fiscal year in which the term of office begins is not counted. At the present time, REALTECH AG's Supervisory Board is made up of three members who were previously members of the Executive Board. The term of office of the Supervisory Board members ends with the conclusion of the General Meeting at which formal approval is given for the directors' actions during the fiscal year ending on December 31, 2011.

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 2011

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 fiscal year 2011, REALTECH AG was required to report the following transactions.

	Dr. Rudolf Caspary	Dr. Rudolf Caspary	Dr. Rudolf Caspary	Thomas Mayerbacher
Status	Executive Board	Executive Board	Executive Board	Executive Board
Stock exchange	May 12, 2011 Off-market	May 25, 2011 Xetra	July 22, 2011 Xetra	April 13, 2011 Off-market
Name of the financial Instrument	Convertible bond	Shares	Shares	Convertible bond
ISIN	DE0007008906	DE0007008906	DE0007008906	DE0007008906
Price (EUR)	5,87	8,15	6,07	5,87
Number	12.000	12.000	2.320	1.500
Transaction volumes (EUR)	70.440	97.800	14.082	8.805
Explanation	Conversion of convertible bonds as part of the 2006 program	Sale of shares	Purchase of shares	Conversion of convertible bonds as part of the 2006 program

Shareholding in the Executive and Supervisory Boards

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

Executive Board	Number of shares as of Dec. 31, 2011	As a % of the issued shares
Dr. Rudolf Caspary	36.320	0,67
Thomas Mayerbacher	1.620	0,03
	37.940	**0,70**

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

Supervisory Board	Number of shares as of Dec. 31, 2011	As a % of the issued shares
Daniele Di Croce	885.500	16,44
Rainer Schmidt	765.500	14,22
Peter Stier	745.500	13,84
	2.396.500	**44,50**

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.

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.

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 that 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.

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. Based on assessments by the Supervisory Board, the total remuneration and the individual components of the compensation are appropriate for the tasks of the Executive Board member concerned, his personal performance, the economic situation, and the success and future prospects of REALTECH AG. It also takes into account comparable situations and the remuneration structure which applies elsewhere in society.

Remuneration structure

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

The total remuneration of the Executive Board is performance-oriented. It is made up of two components: non-performance-related remuneration (fixed salary) and performance-related remuneration (bonuses).

The total remuneration of the Executive Board is performance-oriented. It is made up of two components: non-performance-related remuneration (fixed salary) and performance-related remuneration (bonuses). The fixed salary is paid out each month.

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. The maximum variable remuneration is EUR 500,000. Bonuses are due after the General Meeting of the following fiscal year.

Furthermore, Executive Board members are required 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 is 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.

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.

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 Board and the Supervisory Board presented the remuneration system to 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 remuneration system with a large majority of around 99.98 percent 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 2011

Remuneration received by the Executive Board in fiscal year 2011 totaled EUR 760 thousand (compared to EUR 802 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 535 thousand (previous year: EUR 480 thousand), while variable remuneration totaled EUR 204 thousand (previous year: EUR 271 thousand). Share-based remuneration was EUR 21 thousand (previous year: EUR 51 thousand). As in the previous year, no options were granted in fiscal year 2011.

The Executive Board members and managers were last allocated convertible bonds in fiscal year 2006 under the remuneration system valid at the time, in accordance with the resolution passed by the REALTECH General Meeting on May 16, 2002 concerning the granting of convertible bonds, which the holder is entitled to exchange for company shares (100 shares per convertible bond). The Convertible Bond Program expired on July 31, 2011 with the consequence that the convertible bonds held also expired.

The breakdown of the remuneration for the Executive Board members is shown in the following table (in EUR thousand):

Name	Fixed component	Variable component	Share-based component
Dr. Rudolf Caspary	205	102	16
Thomas Mayerbacher	166	-	5
Nicola Glowinski (until July 31, 2011)	164	102	-
	535	**204**	**21**

Up to and including March 15, 2013, Nicola Glowinski, who left the Executive Board on July 31, 2011, will receive a monthly severance payment of EUR 22 thousand each month for the remaining term of his contract (EUR 448 thousand gross in total) in line with his contractual remuneration, against which Nicola Glowinski must offset other income received from employment, in full, up to March 23, 2013. If, through a written statement, Nicola Glowinski exercises his right to withdraw from the obligation to offset and to submit appropriate evidence regarding the level of his remuneration, he will then receive only 50 percent of the severance payment installments that were originally to be paid until March 2013 as a one-off payment. In fiscal year 2011, severance payments paid to Nicola Glowinski amounted to EUR 112 thousand.

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 10,000, which is to be paid at the end of a fiscal year, proportionately for the number of full months on the Board. The Chairman receives twice this amount, while the Deputy Chairman receives one and a half times the amount.

The fixed amounts calculated in this way are supplemented by a variable component, which is paid if the company's share price over the past fiscal year outperforms the reference index. The reference index is Deutsche Börse AG's "Technology All Share Index". Outperformance is established based on the starting and end prices of the REALTECH share price and the reference index. The starting price is the average company share price at the close of trading on XETRA (or a similar successor system) on the Frankfurt Stock Exchange or the average closing value of the reference index over the first five trading days in the previous fiscal year. The end price is the average company share price at the close of trading on XETRA or the average closing value of the reference index over the last five trading days in the previous fiscal year.

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

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

Remuneration received by the Supervisory Board in fiscal year 2011 totaled EUR 72 thousand (previous year: EUR 144 thousand). The fixed portion was EUR 45 thousand (previous year: EUR 45 thousand), while variable remuneration (including attendance fees and travel expenses) amounted to EUR 27 thousand (previous year: EUR 99 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, taking account of the applicable accounting standards, 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 7, 2012
REALTECH AG
The Executive Board

STABILITY

Thanks to theGuard! software products, more than 1,000 customers have been able to reduce their process downtime by up to 85%.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Notes	2011 EUR	2010 EUR
Continuing operations				
Revenue		(18)	39.177.654	39.500.111
Cost of sales			(22.233.295)	(21.545.206)
Gross profit			**16.944.359**	**17.954.905**
Selling and marketing expenses			(7.614.695)	(6.478.954)
Administration expenses			(4.974.383)	(4.664.852)*
Research and development expenses			(4.297.870)	(3.622.673)
Other operating expenses		(19)	(935.077)	(1.045.675)*
Other operating income		(20)	1.045.418	2.037.484
Operating profit			**167.753**	**4.180.236**
Interest income			155.020	79.211
Interest expenses			(360.220)	(275.177)*
Finance income		(21)	**(205.200)**	**(195.966)***
Profit before tax			**(37.447)**	**3.984.269**
Income tax expenses		(8)	(172.565)	(2.378.498)*
Profit for the year from continuing operations			**(210.012)**	**1.605.771***
Discontinued operations				
Profit for the year from discontinued operations		(22)	1.108.764	(2.966.352)
Profit for the year		(23)	**898.752**	**(1.360.581)***
Profit attributable to	- Owners to the company	(23)	806.128	(1.374.089)*
	- Non-controlling interests	(23)	92.624	13.508
Other comprehensive income				
Exchange differences on translating foreign operations			33.127	557.888*
Total comprehensive income for the year			**931.879**	**(802.693)***
Profit attributable to	- Owners to the company		939.307	(966.214)*
	- Non-controlling interests		(7.429)	163.521
Earnings per share				
From continuing and discontinued operations				
- Basic		(23)	0,15	(0,26)*
- Diluted		(23)	0,15	(0,25)*
From continuing operations				
- Basic		(23)	(0,06)	0,30*
- Diluted		(23)	(0,06)	0,29*
Average number of shares				
- Basic		(23)	5.367.402	5.322.552
- Diluted		(23)	5.367.402	5.489.052

CONSOLIDATED STATEMENT OF CASH FLOWS

	2011 EUR	2010 EUR
Profit for the year	**898.752**	**(1.360.581)***
Depreciation and amortization of non-current assets	1.238.380	1.150.519*
Income tax expense	172.565	3.459.370*
Finance income, net	205.200	195.966*
Gains/losses on disposals of non-current assets	605.062	287.110
Other adjustments for non-cash items	(4.718.951)	(268.737)*
Decrease/(increase) in trade receivables	6.829.359	1.277.592
Decrease/(increase) in other financial assets	(644.516)	44.924
Decrease/(increase) in other non-financial assets	(22.383)	385.536
Increase/(decrease) in trade payables	(98.890)	(466.315)*
Increase/(decrease) in financial liabilities	(1.325.067)	603.290
Increase/(decrease) in provisions	7.521	(2.640.499)
Increase/(decrease) in deferred revenue	450.611	510.395
Interest paid	(360.220)	(275.177)*
Interest received	155.020	79.211
Income taxes paid, net of refunds	(847.722)	(742.554)
Net cash flows from operating activities	**2.544.721**	**2.240.049**
Purchase of intangible assets and property, plant and equipment	(982.033)	(838.369)*
Proceeds on disposal of intangible assets and property, plant and equipment	198	172
Net cash inflow from refund of loans by disposed subsidiaries	3.134.871	0
Net cash inflow on disposal of subsidiaries	2.696.472	0
Net cash outflow on disposal of cash and cash equivalents of disposal of subsidiaries	(518.275)	(280.673)
Net cash flows from investing activities	**4.331.233**	**(1.118.870)**
Dividends paid to owners of the company	0	(2.667.976)
Proceeds from issuing shares	214.255	301.304
Payments for finance lease	(263.981)	(255.466)*
Net cash flows from financing activities	**(49.726)**	**(2.622.138)**
Effects of exchange rate changes on the balance of cash held in foreign currencies	33.127	557.888
Net increase/(decrease) in cash and cash equivalents	**6.859.354**	**(943.071)**
Cash and cash equivalents at the beginning of the year	**6.360.881**	**7.303.952**
Cash and cash equivalents at the end of the year	**13.220.235**	**6.360.881**

* Corrections according to IAS 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31.12.2011 EUR	31.12.2010 EUR	01.01.2010 EUR
Current assets				
Cash and cash equivalents		13.220.235	6.360.881	7.303.952
Other financial assets	(5)	626.399	440.496	541.160
Trade receivables	(6)	9.882.561	16.711.920	17.989.512
Other non-financial assets	(7)	329.403	307.020	692.556
Tax assets	(8)	3.977.945	3.600.176	511.149
Total current assets		**28.036.543**	**27.420.493**	**27.038.329**
Non-current assets				
Goodwill	(9)	4.331.514	4.331.514*	4.366.446*
Other intangible assets	(9)	443.280	619.585	642.318
Property, plant and equipment	(9)	13.635.076	14.320.378*	14.897.077*
Other financial assets	(11)	659.609	200.995	145.256
Deferred tax assets	(8)	2.909.060	2.535.993*	1.540.629*
Total non-current assets		**21.978.539**	**22.008.465**	**21.591.726**
Total assets		**50.015.082**	**49.428.958**	**48.630.055**

* Corrections according to IAS 8.

LIABILITIES AND EQUITY	Notes	31.12.2011 EUR	31.12.2010 EUR	01.01.2010 EUR
Current liabilities				
Trade payables	(12)	1.360.320	1.459.210	1.925.525
Tax liabilities	(8)	6.883.371	6.469.659	445.330
Financial liabilities	(12)	1.824.392	2.963.442*	2.205.258*
Provisions	(13)	3.049.532	3.042.012	5.682.514
Deferred revenue		3.363.223	2.912.610	2.402.215
Total current liabilities		**16.480.838**	**16.846.933**	**12.660.842**
Non-current liabilities				
Finanzielle Verbindlichkeiten	(14)	5.142.482	5.328.499*	5.483.392*
Deferred tax liabilities	(8)	1.842.607	1.850.505*	1.878.503*
Total non-current liabilities		**6.985.089**	**7.179.004**	**7.361.895**
Total liabilities		**23.465.927**	**24.025.937**	**20.022.737**
Equity	(15)			
Issued capital		5.385.652	5.349.152	5.295.952
Reserves		11.139.952	10.962.197	13.455.889
Other comprehensive income		667.408	534.229	126.354
Retained Earnings		8.421.275	7.615.146*	8.950.347*
Equity attributable to owners of the company		**25.614.287**	**24.460.724**	**27.828.542**
Non-controlling interests	(16)	934.868	942.297	778.776
Total equity		**26.549.155**	**25.403.021**	**28.607.318**
Total liabilities and equity		**50.015.082**	**49.428.958**	**48.630.055**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital EUR	Reserves EUR	Other comprehensive income EUR	
Balance at 1. January 2010	**5.295.952**	**13.455.889**	**126.354**	
Corrections according to IAS 8				
Balance at 1. January 2010 after correction	**5.295.952**	**13.455.889**	**126.354**	
Profit for the year				
Exchange rate changes on the balance of cash held in foreign currencies			407.875	
Total comprehensive income for the year			**407.875**	
Payment of dividends				
Issue of shares under employee convertible bond program	53.200	248.104		
Transfer to retained earnings		(2.741.796)		
Corrections according to IAS 8				
Balance at 31. December 2010	**5.349.152**	**10.962.197**	**534.229**	
Profit for the year				
Exchange rate changes on the balance of cash held in foreign currencies			133.179	
Total comprehensive income for the year			**133.179**	
Issue of shares under employee convertible bond program	36.500	177.755		
Balance at 31. December 2011	**5.385.652**	**11.139.952**	**667.408**	

Retained earnings EUR	Equity attributable to owners of the company EUR	Non-controlling interests EUR	Total equity EUR
8.908.687	**27.786.882**	**778.776**	**28.565.658**
41.660	41.660		41.660
8.950.347	**27.828.542**	**778.776**	**28.607.318**
(1.374.090)	(1.374.090)	13.508	(1.360.581)
	407.875	150.013	557.888
(1.374.090)	**(966.215)**	**163.521**	**(802.693)**
(2.667.976)	(2.667.976)		(2.667.976)
	301.304		301.304
2.741.796			
(34.932)	(34.932)		(34.932)
7.615.146	**24.460.724**	**942.297**	**25.403.021**
806.127	806.127	92.624	898.752
	133.179	(100.052)	33.127
806.127	**939.306**	**(7.429)**	**931.879**
	214.255		214.255
8.421.275	**25.614.287**	**934.868**	**26.549.155**

NOTES TO 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) applicable as of December 31, 2011 have been taken into account. The figures for the previous year were also determined based on the same standards.

The consolidated financial statements have been prepared in euros. Where there is no indication to the contrary, all amounts are specified in thousands of euros (TEUR). The consolidated financial statements give a fair representation of the Group's net assets, financial position, and earnings situation in accordance with the applicable accounting standards. 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 (until December 2010), Spain (until June 2011), 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.

New and amended standards and interpretations that have been approved but have not yet entered into force.

Up to the date of preparation of the consolidated financial statements as of December 31, 2011, the following new and changed standards and interpretations were passed. However, they come into force at a later date 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.

Amendments to IFRS 7	Disclosures – transfer of financial assets [1]
Amendments to IFRS 7	Disclosures on netting rules [4]
IFRS 9	Financial instruments [6]
IFRS 10	Consolidated financial statements [4]
IFRS 11	Joint arrangements [4]
IFRS 12	Disclosure of interests in other entities [4]
IFRS 13	Fair value measurement [3]
Amendments to IAS 1	Presentation of items of other comprehensive incom [2]
Amendments to IAS 12	Deferred tax – recovery of underlying assets [4]
Amendments to IAS 19 (2011)	Employee benefits [4]
IAS 27 (2011)	Separate financial statements [4]
IAS 28 (2011)	Investments in associates [4]
Amendments to IAS 32	Offsetting financial assets and financial liabilities [5]
IFRIC 20	Stripping costs in the production phase of a surface mine [4]

[1] To be applied to fiscal years beginning on or after July 1, 2011.
[2] To be applied to fiscal years beginning on or after January 1, 2012.
[3] To be applied to fiscal years beginning on or after July 1, 2012.
[4] To be applied to fiscal years beginning on or after January 1, 2013.
[5] To be applied to fiscal years beginning on or after January 1, 2014.
[6] To be applied to fiscal years beginning on or after January 1, 2015.

The accounting policies applied correspond to the methods used the previous year, provided that the corrections explained in Section 3 according to IAS 8 were not to be made.

New standards and interpretations to be applied for the first time in the year under review

The following new or amended standards and interpretations had no material effects on the company's financial statements, with the exception of additional disclosure obligations:

Amendments to IAS 1	Presentation of financial statements (as part of annual improvements 2010)
IAS 24	Related party disclosures (revised in 2009)
Amendments to IAS 27	Consolidated and separate financial statements (as part of the annual improvements)
Amendments to IAS 32	Classification of rights issues
Amendments to IFRS 1	Exception for IFRS 7
Amendments to IFRS 3	Business combinations (as part of the annual improvements)
Amendments to IFRS 7	Disclosures (as part of the annual improvements)
Amendments to IFRIC 13	Customer loyalty programs (as part of the annual improvements)
Amendments to IFRIC 14	Prepayments of minimum funding requirements
Amendments to IFRIC 14	Voluntary prepaid contributions as part of minimum funding requirements
IFRIC 19	Extinguishing financial liabilities with equity instruments

2. Companies included in the consolidated financial statements

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

- REALTECH Verwaltungs GmbH, Walldorf, Deutschland, 100%
- REALTECH Software Products GmbH, Walldorf, Deutschland, 100%
- REALTECH Consulting GmbH, Walldorf, Deutschland, 100%
- REALTECH Services GmbH, Walldorf, Deutschland, 100%
- GloBE technology GmbH, Walldorf, Deutschland, 100%
- REALTECH Portugal System Consulting Sociedade Unipessoal Lda., Lissabon, Portugal, 100%
- REALTECH Inc., Malvern, PA, USA, 100%
- REALTECH Ltd., Auckland, Neuseeland, 100%
- REALTECH System Consulting Pte. Ltd., Singapur, 100%
- REALTECH Japan Co., Ltd., Tokio, Japan, 54,1%

The scope of consolidated financial statements has changed compared to December 31, 2010 to the effect that the REALTECH System Consulting S. L., Madrid, Spain subsidiary was sold in June 2011 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. Summary of significant accounting policies

Basis

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards in the way they are to be applied in the European Union.

The consolidated financial statements were prepared on the basis of historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for the asset.

The consolidated financial statements contain the financial statements of the parent company and the entities it controls, including special-purpose entities. Control exists when the entity has the possibility of determining the financial and operational policies of an entity, in order to benefit from its activities.

The income of the subsidiaries acquired or sold during the course of the year is recognized in the consolidated statement of comprehensive income in accordance with the effective acquisition date or until the effective date of disposal.

If required, the annual financial statements of the subsidiaries are adjusted in line with the accounting policies applicable in the Group.

All intragroup business transactions, balances and intragroup profit and loss are eliminated in full as part of consolidation.

The total comprehensive income of the subsidiary is assigned to the owners and the non-controlling shareholders, even if this results in a negative balance for the non-controlling interests.

All amounts in the consolidated financial statements – if there is no indication to the contrary in individual cases – are specified in thousand euros (TEUR). Due to rounding, numbers presented may not add up precisely to the totals and percentages provided.

Business combinations

The acquisition of businesses has been accounted for using the acquisition method. Historical cost was determined by the total of the fair values valid on the date of exchange of the assets transferred, liabilities incurred or assumed and the equity instruments issued by the Group in exchange for control of the acquired company. Costs associated with the business combination must be recognized in income. The identifiable assets, liabilities and contingent liabilities were recognized using the fair value at the acquisition date, if the relevant recognition criteria were met.

The goodwill resulting from the acquisition was recognized as an asset and measured at cost, that being the excess of the cost for the acquisition of the investment over the amounts recognized for the identifiable assets, liabilities and contingent liabilities. If, following reevaluation, the share of the fair value of the acquired identifiable assets, liabilities and contingent liabilities attributable to the Group exceeded the cost of acquiring the investment, the excess amount is recognized immediately as profit. The minority interests were initially measured using their proportionate share of the amounts recognized for the acquired assets, liabilities and contingent liabilities.

For successive share purchases, the shares already held are recognized at fair value at the acquisition date. The difference between the carrying amount and the fair value is recognized in the statement of comprehensive income.

Goodwill

The goodwill resulting from business combinations is accounted for at cost less impairment loss, if required, and is recognized separately in the consolidated statement of financial position.

For the purposes of an impairment test, goodwill must be allocated to each of the cash-generating units (or groups thereof) of the Group, from which a benefit is expected to be gained from the synergies of the merger.

Cash-generating units to which a part of the goodwill was allocated must be tested for impairment every year. If there is evidence of an impairment of a unit, this will be evaluated more frequently. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit, the impairment loss must initially be allocated to the carrying amount of any goodwill allocated to the unit and must then be allocated proportionately to the other assets based on the carrying amounts of each asset within the unit. Any impairment loss of goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill cannot be recovered in future periods.

For the sale of a cash-generating unit, the level of goodwill attributable to it is taken into account as part of the disposal gain/loss.

Currency translation

When preparing the financial statements of each individual Group entity, business transactions that are expressed in currencies other than the functional currency of the Group entity (foreign currencies) are translated using the exchange rates valid on the day of the transaction. On that reporting date, monetary items must be translated into foreign currency using the valid closing rate. Non-monetary items in foreign currency that are measured at fair value must be translated using the rates that were valid when the fair value was determined. Non-monetary items measured at cost are translated using the exchange rate at the time of initial accounting recognition.

To prepare consolidated financial statements, the assets and liabilities of the Group's foreign business operations must be translated into euros (EUR), and the exchange rates valid on the reporting date are used. Income and expenses are translated using the average rate for the period. The resulting difference is offset against equity with no effect on profit or loss and is shown separately there (other comprehensive income).

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 encompasses full production-related costs based on normal capacity utilization. Specifically, cost of sales includes direct costs that are directly attributable to orders – essentially for personnel – as well as fixed and variable overheads, for instance depreciation.

Research and development expenses

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

Production orders

When the outcome of a production order can be estimated reliably, contract revenue and the contract costs associated with this production order shall be recognized by reference to the percentage of completion of the contract activity on the reporting date as part of the actual contract costs for the work carried out in proportion to the expected contract costs, unless this would not represent the percentage of completion. Changes to the contractual work, the requirements and the performance bonuses are included to the extent that their level can be measured reliably and it is considered likely that they will be received.

When the outcome of a production order cannot be determined reliably, contract revenue shall be recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs shall be recognized as an expense in the period in which they are incurred. If it is probable that the total contract costs will exceed the total contract revenue, the expected loss shall be recognized immediately as an expense.

If the contract costs incurred up to the reporting date plus recognized profits and less recognized losses exceed the progress billings, the excess shall be presented as the gross amount due from customers for contract work as an asset. For contracts in which the progress billings exceed the contract costs incurred plus recognized profits and less recognized losses, the excess shall be presented as the gross amount due to customers as a liability. Amounts received before contract work is performed are recognized in the consolidated statement of financial position as a liability for the received advances. Invoiced amounts for work previously performed that have not been paid by the customer are included in the consolidated statement of financial position in the trade receivables item.

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 financial liabilities. Leasing payments are broken down into interest expense and repayment of the lease liability in such a way that the interest on the remaining liability remains constant. Interest expense is recognized directly in the income statement. Where operating leases exist in the REALTECH Group, leasing installments or rental payments are treated directly as an expense in the income statement.

Current taxes

The current tax expense is calculated on the basis of taxable income for the year. The taxable income for the year is different from the net income from the consolidated statement of comprehensive income due to the expenses and income that are taxable or deductible for tax purposes in subsequent years or at no point in time. The Group's liability for the current taxes is calculated on the basis of the currently valid tax rates or the tax rates that will be valid shortly after the reporting date.

Deferred taxes

Deferred taxes are recognized, in accordance with IAS 12, for all temporary differences between the carrying amounts in the consolidated statement of financial position 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.

Property, plant and equipment

Property, plant and equipment are recognized at cost less straight-line depreciation. A useful life of between three and ten years is defined for movable property, plant and equipment and leased properties. Buildings are subject to straight-line depreciation over 40 years. Land is not subject to depreciation.

Write-downs on property, plant, and equipment are carried out in accordance with IAS 36, as long as the recoverable amount of the asset is 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 up to the adjusted carrying amount at the most. Borrowing costs are shown as an expense because there are no qualified assets as defined by IAS 23. Assets that are held as part of finance leases shall be written down over their expected useful life in the same way as assets owned by the Group. However, if there is insufficient certainty that title will be passed to the lessee by the end of the lease term, the assets shall be written down over the shorter of the lease term and the expected useful life.

Intangible assets

Intangible assets with a specific useful life that are not acquired as part of a business combination shall be recognized at cost less accumulated amortization and impairments. The amortization is recognized as an expense using the straight-line method over the expected useful life. The expected useful life and the amortization method are checked on each reporting date and all changes in estimates are taken into account prospectively. Intangible assets with an indefinite useful life acquired separately shall be recognized at cost less accumulated impairments.

Impairments on property, plant and equipment and intangible assets (with the exception of goodwill)

The Group checks the carrying amounts of property, plant and equipment and intangible assets on each reporting date to determine whether there are indications that impairment of these assets has occurred. If indications of this kind are apparent, the recoverable amount of the asset is estimated to determine the scope of a potential impairment loss. If the recoverable amount cannot be estimated for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. When a suitable and consistent basis for allocation can be established, the assets are allocated to the individual cash-generating units. Otherwise, the assets are allocated to the smallest group of cash-generating units for which a suitable and consistent allocation basis can be established.

Provisions

Provisions are made when the Group has a present obligation (of a legal or constructive nature) from a past event and it is probable that the Group will be required to settle this obligation, settlement of the obligation is likely to be accompanied by an outflow of resources and a reliable estimate of the amount is possible.

The stated provision amount is the best estimate on the reporting date of the consideration required to settle the present obligation, taking into account the risks and uncertainties inherent in the obligation. When a provision is measured using the estimated cash flows for settling the obligation, the carrying amount of the provision is the present value of these cash flows (when the time value of money is material).

If it can be assumed that some or all of the economic benefit required to settle the provision will be reimbursed by an external third party, this claim is capitalized as an asset if this reimbursement is virtually certain and the amount can be estimated reliably.

Financial assets

Effective interest method

The effective interest method is a method for calculating the amortized cost of a debt and the allocation of interest income to the relevant periods. The effective interest rate is the interest rate at which the estimated future cash receipts (including all fees that are part of the effective interest rate, transaction costs and other premiums and discounts) are discounted over the expected term of the debt or a shorter period, if applicable, to the net carrying amount at initial recognition.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity. Following initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less impairments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables, deposits and cash) are measured using the effective interest method at amortized cost less any impairment.

With the exception of short-term receivables, for which the time value of money would be immaterial, interest income is recognized in accordance with the effective interest method.

Impairment of financial assets

Financial assets, with the exception of financial assets that are measured at fair value through profit or loss, are examined on each reporting date for indications of impairment. Financial assets are regarded as impaired when, as a result of one or more events that occurred after initial recognition of the asset, there is objective evidence that the expected future cash flows from the asset have changed negatively.

For financial assets that are measured at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows determined using the original effective interest rate of the financial asset.

For financial assets that are measured at cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows determined using the current market rate of return for a similar financial asset.

Impairment results in a direct decrease in the carrying amount of all affected financial assets, with the exception of trade receivables, for which the carrying amount is decreased through an impairment account. If an account receivable is estimated to be uncollectible, consumption is recognized against the impairment account. Subsequent recoveries of amounts previously written off are also recognized against the impairment account. Changes to the carrying amount of the impairment account are recognized in the income statement through profit or loss.

If the financial asset classed as available for sale is estimated to be impaired, the profit and loss previously recognized in other comprehensive income in the period must be reclassified to the income statement.

If the level of impairment of a financial asset measured at amortized cost decreases in a subsequent fiscal year, and if there is objective evidence that this was caused by an event that occurred after the impairment was recognized, the impairment that was previously recognized is reversed via the income statement. However, this may not result in a higher carrying amount than what the amortized cost would have been if no impairment had been recognized.

Financial liabilities

Financial liabilities are categorized as financial liabilities that are measured at fair value through profit or loss, or as other payables.

Other financial liabilities (including trade payables and other payables) are measured in accordance with the effective interest method at amortized cost.

The effective interest method is a method for calculating the amortized cost of a financial liability and the allocation of interest costs to the relevant periods. The effective interest rate is the interest rate at which the estimated future cash payments (including all fees and paid or received remuneration that are an integral part of the effective interest rate, transaction costs and other premiums and discounts) are discounted over the expected term of the financial instrument or a shorter period, if applicable, to the net carrying amount at initial recognition.

Corrections according to IAS 8

The auditing of the consolidated financial statements and the Group management report as of December 31, 2011 revealed that corrections in accordance with the requirements of IAS 8 were required. The corrections were made on January 1, 2010 and on December 31, 2010. The consolidated statement of financial position is therefore also presented on January 1, 2010 (see also section 25 regarding corrections according to IAS 8) in addition to the reporting dates as at December 31, 2011 and December 31, 2010.

4. Use of estimates

Estimates and assumptions must be made in the consolidated financial statements to a certain extent. These affect the recognized assets and liabilities 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 4,332 thousand, previous year: EUR 4,332 thousand), property, plant and equipment (EUR 13,635 thousand, previous year: EUR 14,320 thousand), deferred tax assets (EUR 2,909 thousand, previous year: EUR 2,536 thousand), trade receivables (EUR 9,883, previous year: EUR 16,712 thousand), current tax assets (EUR 3,978 thousand, previous year: EUR 3,600 thousand) and provisions (EUR 3,050 thousand, previous year: EUR 3,042 thousand) presented in the consolidated statement of financial position.

The process of determining the recoverable amount for a cash-generating unit involves estimates by management. The discounted cash flow method is used to determine the value in use. The estimates 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 property, plant and equipment 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 property, plant and equipment 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 involved are changes in the current competition conditions, expectations regarding growth in the IT sector, increases in cost of capital, 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. The value in use and the recoverable amount (the higher of fair value less costs to sell and value in use of an asset or a cash-generating unit) are usually determined using the discounted cash flow method, which incorporates appropriate assumptions by market participants. The identification of factors indicating 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 taxes 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 line 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 these 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.

DISCLOSURES FOR THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5. Other financial assets (current)

	31.12.2011 TEUR	31.12.2010 TEUR
Loans	467	40
Rent receivables	83	71
Deferred revenue	1	220
Other	75	110
	626	**441**

The loan was granted to the former 100% subsidiary REALTECH Italia S. p. A., which was sold at the end of 2010. Interest is charged in line with market conditions. As in the previous year, there were no contingent assets on the reporting date.

6. Trade receivables

	31.12.2011 TEUR	31.12.2010 TEUR
Trade receivables	10.404	17.103
Impairments	521	391
	9.883	**16.712**

Trade receivables are due in the short term (see also the section on credit risks under section 29). This also includes those from production orders on a small scale, as in the previous year. The impairments 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.

Changes in impairments

	31.12.2011 TEUR	31.12.2010 TEUR
Situation at the beginning of the year	391	790
Impairments of receivables	130	0
Reversals of impairment of receivables	0	399
Situation at the end of the year	**521**	**391**

7. Other non-financial assets

Other non-financial assets encompass prepaid expenses and accrued income amounting to EUR 329 thousand (previous year: EUR 307 thousand). These are essentially advance payments made as part of rental, leasing, support and license agreements. Reversal and recognition as an expense is carried out in future periods.

8. Income taxes

The Current tax assets item presented in the statement of financial position concerns:

	31.12.2011	31.12.2010
	TEUR	TEUR
Income taxes receivable, Germany	3.911	3.490
Other	67	110
Tax assets	**3.978**	**3.600**

The Current tax liabilities item presented in the statement of financial position concerns:

	31.12.2011	31.12.2010
	TEUR	TEUR
Income tax payable, Germany	6.298	6.198
Other	585	272
Tax liabilities	**6.883**	**6.470**

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

	2011	2010
	TEUR	TEUR
Current tax expenses	(509)	(3.459)
Deferred tax income (net)	336	1.081
Income tax expenses	**(173)**	**(2.378)**

The Group's income taxes are reconciled in the following table. The corporation tax rate to be applied is 15.0% plus the solidarity surcharge of 5.5%. The Group must also make trade tax payments of 9.8%. This amounts to an expected income tax liability of 25.0% (compared to 25.0% in the previous year).

	2011 TEUR	2010 TEUR
Expected tax expenses	0	(996)
Tax effect from previous years	(81)	(1.304)
Tax rate difference/measurement differences (abroad)	(92)	(78)
Income tax expenses	**(173)**	**(2.378)**

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

	31.12.2011 TEUR	31.12.2010 TEUR
Finance leasing	1.318	1.384
Tax loss carryforwards	1.247	975
Fixed assets	11	5
Impairments	39	45
Provisions	285	119
Other	9	8
Deferred tax assets	**2.909**	**2.536**

	31.12.2011 TEUR	31.12.2010 TEUR
Finance leasing	1.403	1.449
Fixed assets	361	343
Goodwill	18	15
Production orders	61	44
Deferred tax liabilities	**1.843**	**1.851**

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

9. Fixed assets

Fixed assets changed as follows in the 2011 fiscal year:

	Cost					
	01.01.2011 TEUR	Additions TEUR	Disposals TEUR	Exchange differences from translation TEUR	Decon-solidation TEUR	31.12.2011 TEUR
Goodwill*	**7.071**	**0**	**0**	**0**	**0**	**7.071**
Other intangible assets	**2.449**	**181**	**0**	**1**	**166**	**2.465**
Land and property, land rights and buildings	9.785	213	0	3	0	10.001
Office finance lease*	7.309	0	0	0	0	7.309
Equipment and machinery	257	31	14	11	0	285
Other equipment, operational and office equipment	7.519	557	62	11	1.525	6.500
Advance payments and assets under construction	55	0	55	0	0	0
Property, plant and equipment	**24.925**	**801**	**131**	**25**	**1.525**	**24.095**
	34.445	**982**	**131**	**26**	**1.691**	**33.631**

Goodwill results from business combinations, particularly from 1999. Further explanations regarding business combinations can be found in sections 3 and 24.

Other intangible assets essentially encompass software and database licenses. They are primarily used for internal purposes. Amortization of other intangible assets is performed using the straight-line method when the remaining useful life is between three and five years. Amortization is recognized in line with use in research and development costs, sales and marketing costs and administrative costs.

* Corrections according to IAS 8.

	Accumulated depreciation						Net carrying amounts	
	01.01.2011 TEUR	Additions TEUR	Disposals TEUR	Exchange differences from translation TEUR	Decon-solidation TEUR	31.12.2011 TEUR	31.12.2011 TEUR	31.12.2010 TEUR
	2.739	**0**	**0**	**0**	**0**	**2.739**	**4.332**	**4.332**
	1.830	**294**	**0**	**8**	**110**	**2.022**	**443**	**619**
	2.552	458	1	1	0	4.581	7.174	7.233
	1.571	183	0	0	0	1.754	5.555	5.738
	222	30	13	9	0	248	37	35
	6.260	456	53	10	1.042	5.631	869	1.259
	0	0	0	0	0	0	0	55
	10.605	**944**	**67**	**20**	**1.042**	**10.460**	**13.635**	**14.320**
	15.174	**1.238**	**67**	**28**	**1.152**	**15.221**	**18.410**	**19.271**

Fixed assets changed as follows in the 2010 fiscal year:

	Cost					
	01.01.2010 TEUR	Additions TEUR	Disposals TEUR	Exchange differences from translation TEUR	Decon-solidation TEUR	31.12.2010 TEUR
Goodwill*	**7.137**	**0**	**0**	**0**	**66**	**7.071**
Other intangible assets	**2.603**	**258**	**0**	**1**	**413**	**2.449**
Land and property, land rights and buildings	9.745	22	0	18	0	9.785
Office finance lease*	7.309	0	0	0	0	7.309
Equipment and machinery	226	6	7	32	0	257
Other equipment, operational and office equipment	8.689	497	197	62	1.532	7.519
Advance payments and assets under construction	0	55	0	0	0	55
Property, plant and equipment	**25.969**	**580**	**204**	**112**	**1.532**	**24.925**
	35.709	**838**	**204**	**113**	**2.011**	**34.445**

* Corrections according to IAS 8.

	Accumulated depreciation						Net carrying amounts	
	01.01.2010 TEUR	Additions TEUR	Disposals TEUR	Exchange differences from translation TEUR	Decon-solidation TEUR	31.12.2010 TEUR	31.12.2010 TEUR	31.12.2009 TEUR
	2.739	**0**	**0**	**0**	**0**	**2.739**	**4.332**	**4.336**
	1.961	**266**	**0**	**0**	**397**	**1.830**	**619**	**642**
	2.282	265	0	5	0	2.552	7.233	7.463
	1.388	183	0	0	0	1.571	5.738	5.921
	174	25	0	23	0	222	35	52
	7.228	411	19	52	1.412	6.260	1.259	1.461
	0	0	0	0	0	0	55	0
	11.072	**884**	**19**	**80**	**1.412**	**10.605**	**14.320**	**14.897**
	15.772	**1.150**	**19**	**80**	**1.809**	**15.174**	**19.271**	**19.875**

10. Shareholdings

On December 31, 2011, REALTECH AG directly held shares of at least 20% in the following companies:

	Share of capital %	Equity 31.12.2011 TEUR	Profit for the year 2011 TEUR
REALTECH Verwaltungs GmbH, Walldorf, Deutschland	100,0	26	3.062 [1)]
REALTECH Consulting GmbH, Walldorf, Deutschland	100,0	26	(214) [1)]
REALTECH Services GmbH, Walldorf, Deutschland	100,0	163	83 [1)]
REALTECH Software Products GmbH, Walldorf, Deutschland	100,0	39	(1.758) [1)]
GloBE technology GmbH, Walldorf, Deutschland	100,0	250	4
REALTECH Portugal System Consulting Sociedade Unipessoal Lda., Lissabon, Portugal	100,0	599	(102)
REALTECH Inc., Malvern, PA, USA	100,0	(244)	76
REALTECH Ltd., Auckland, Neuseeland	100,0	686	(42)
REALTECH System Consulting Pte. Ltd., Singapur	100,0	259	(70)
REALTECH Japan Co., Ltd., Tokio, Japan	54,1	1.100	109

[1] There is a profit and loss transfer agreement/recognition before profit and loss transfer.
Delivery and service relationships exist between the associates.

11. Other financial assets (non-current)

	31.12.2011 TEUR	31.12.2010 TEUR
Loans	478	0
Deposits	114	199
Other	68	2
	660	**201**

The loan was granted to the former 100% subsidiary REALTECH Italia S. p. A., which was sold at the end of 2010. Interest is charged in line with market conditions.

12. Liabilities (current)

	31.12.2011 TEUR	31.12.2010 TEUR
Trade payables	1.360	1.459
Financial liabilities	1.824	2.963
	3.184	**4.422**

Financial liabilities include sales tax, withholding tax and wage tax liabilities in the amount of EUR 658 thousand (previous year: EUR 1,351 thousand), the office lease liability (see also section 28) in the amount of EUR 257 thousand (previous year: EUR 264 thousand), outstanding supplier invoices in the amount of EUR 542 thousand (previous year EUR 908 thousand) and liabilities to employees in the amount of EUR 167 thousand (previous year: EUR 357 thousand). As in the previous year, there were no contingent assets on the reporting date.

13. Provisions

	31.12.2011 TEUR	31.12.2010 TEUR
Employee-related obligations	2.930	2.737
Other provisions (see below)	120	305
	3.050	**3.042**

Employee-related obligations primarily encompass annual vacation entitlements, indemnities, bonuses and profit sharing. This increase in the carrying amount of the provision in the current period is a result of increased annual vacation entitlements.

Other provisions

	Construction work TEUR	Warranty work TEUR	Onerous lease contracts TEUR	Total TEUR
Situation as of 01.01.2011	0	25	280	305
Recognition of additional provisions	53	0	42	95
Decrease as a result of payments or other considerations that represent future economic benefits	0	0	81	81
Decrease as a result of termination (with no costs)	0	0	199	199
Situation as of 31.12. 2011	**53**	**25**	**42**	**120**

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

The provision for construction work is the estimated work and material costs for agreed work on leased premises. The estimated expense is EUR 53 thousand in 2012. The amounts were not discounted in conjunction with the provision calculation for this construction work, as the effect is immaterial.

The provision for warranty work is based on the management's best estimate with regard to the present value of the future outflow of economic benefit to meet the Group's obligations from warranties that are based on local legislation for the sale of software and services. The estimate was made on the basis of historical experience regarding warranty work and may vary due to changes to software and adjusted services.

The provision for onerous lease contracts is the present value of future lease payments that the Group is currently required to pay due to non-cancelable onerous operating lease contracts.

Expected income from the leasing contract, including estimated future income from reletting, should be deducted if applicable.

Estimates may change as a result of varying income expectations from the utilization of leased vehicles and hardware. The remaining terms of the lease contracts are between one and five years.

14. Financial liabilities (non-current)

	31.12.2011 TEUR	31.12.2010 TEUR
Office lease liability	4.963	5.219
Other	180	110
	5.143	**5.329**

The office lease liability is explained in section 28 Lease agreements.

15. Equity

Issued capital

The company's issued capital is fully paid. The number of no-par value shares issued as per December 31, 2011 amounted to 5,385,652 (December 31, 2010: 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 2011 by 36,500. The nominal value of the issued capital increased accordingly by EUR 36,500.00.

The issued capital is EUR 5,385,652 on the reporting date. The authorized capital expired after May 1, 2009.

Reserves

The reserves primarily results from payments from the initial public offer, as well as payments from the conversion of convertible bonds.

As a result of the exercising of conversion rights granted as part of the company's various share-based remuneration programs, the reserves increased by EUR 177,755.00 in the fiscal year under review.

Retained earnings

	2011 TEUR	2010 TEUR
Situation at the beginning of the year	7.615.145	8.950.347
The annual net income attributable to the shareholders of the parent company	806.127	(1.374.090)
Dividends paid	0	(2.667.976)
Withdrawals from the additional paid-in capital	0	2.741.796
Corrections according to IAS 8	0	(34.932)
Situation at the end of the year	**8.421.273**	**7.615.145**

Contingent capital

The company's share capital has been contingently increased by up to EUR 200,300.00 by issuing up to 200,300 new shares in accordance with Section 4, paragraph 4 of the Articles of Association. This contingent capital increase will only be implemented to the extent to which the holders of bonds that the Executive and Supervisory Boards were authorized to issue up to May 15, 2007, based on a decision reached by the Annual General Meeting on May 16, 2002, make use of conversion rights/obligations or options. Due to the exercising of options and the expiry of conversion rights in fiscal year 2011, contingent capital has decreased by a further EUR 166,500.00, which is still to be entered in the commercial register. The contingent capital thus no longer exists on the reporting date.

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% 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 (AktG), must at no time amount to more than 10% of share capital. This authorization was not utilized in fiscal year 2011.

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 recorded for services during fiscal year 2011 is EUR 0 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%. 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).

As in the previous year, no convertible bonds were issued in fiscal year 2011. In fiscal year 2006, convertible bonds were issued with the following conditions:

Issue date	31.07.2006
Par value	1,00 EUR
Total par value of the convertible bond	3.000,00 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 been determined as a result of 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% below the average closing price for REALTECH AG shares on the XETRA electronic trading system on the ten trading days before the decision to issue convertible bonds was reached.

Termination of the Convertible Bond Program

Due to the scheduled termination of the program, the outstanding 130,500 convertible bonds expired as of July 31, 2011.

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:

	2011		2010	
	Quantity	WAEP EUR	Quantity	WAEP EUR
Outstanding at the beginning of the reporting period	166.500	5,87	239.200	5,82
Issued in the reporting period	0	0	0	0
Exercised in the reporting period	36.500	5,87	53.200	5,66
Expired in the reporting period	130.500	5,87	19.500	5,87
Outstanding at the end of the reporting period	0	0	166.500	5,87
Exercisable at the end of the reporting period	0	0	166.500	5,87

The weighted average share price (Xetra) was EUR 7.17 in 2011 (in 2010 it was EUR 7.86).

16. Non-controlling interests

This item refers to 45.9% held by third-party shareholders 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.

17. Segment information

According to IFRS 8, operating segments must be identified on the basis of internal reports on Group divisions that are regularly reviewed by the entity's chief operating decision maker with regard to decisions on the allocation of resources to these segments and the measurement of their profitability. Information reported to the management as the chief operating decision maker for the purpose of allocating resources to an entity's operating segments and measuring its profitability mostly concerns the types of goods or services that are produced or provided. The operating segments are defined as the reportable segments Consulting and Software in accordance with IFRS 8. They represent the two cash-generating units (CGUs). Furthermore, REALTECH AG's activity in its function as a holding was identified as an "other segment".

Activities in the Consulting segment primarily encompass consulting with regard to setting up future-oriented IT environments, the failsafe operation of SAP systems, the integration of international customer sites into extensive IT environments and the migration of databases and operating systems to new system platforms.

The Software segment encompasses license fees that we earn from selling our theGuard! product family to our customers. The Software segment also generates revenue through technical customer support and software maintenance agreements.

The segment sales revenues shown below represent sales revenues from business with external customers only. With one customer, sales revenues in the 2011 fiscal year were 12% or EUR 4,753 thousand (thereof Consulting: EUR 4,154 thousand and Software: EUR 599 thousand) in the previous year this was 17% or EUR 6,867 thousand (thereof Consulting: EUR 5,029 thousand and Software EUR 1,838 thousand). As in the previous year, there were no sales between segments in the fiscal year. Due to the fact that no REALTECH customer accounts for more than 12% of revenue (previous year: 17%), the liability and credit risks for the Group are negligible.

The accounting policies of the reportable segments correspond to the consolidation accounting rules described in section 3. Segment income was measured without taking into account central administrative costs, management remuneration and income tax expenses. Segment income calculated in this way is reported to the entity's chief operating decision maker with regard to decisions on the allocation of resources to the relevant segment and the measurement of its profitability.

The Consulting segment contributed EUR 773 thousand (previous year: EUR 1,628 thousand) to the Group's segment income. This amount was EUR 1,689 thousand for the Software segment (previous year: EUR 3,892). The operating margin for Consulting was 3% (previous year: 6%) and for Software 13% (previous year: 30%).

For the purpose of monitoring the profitability and the allocation of resources between the segments, the following allocations were made:

All assets with the exception of the other financial assets and the current and deferred taxes were allocated to the reportable segments. Goodwill in the amount of EUR 4,332 thousand is allocated in a ratio of 61% (Consulting) to 39% (Software), as in the previous year. Assets used jointly by the segments are allocated on the basis of the income that is generated by the individual reportable segments.
All liabilities with the exception of the other financial liabilities and the current and deferred taxes were allocated to the reportable segments. Liabilities to be settled jointly by the reportable segments are allocated in accordance with the segment assets.

	Consulting		Software		
	31.12.2011 EUR	31.12.2010 EUR	31.12.2011 EUR	31.12.2010 EUR	
Revenue	**26.434.290**	**26.597.501**	**12.743.363**	**12.902.610**	
Cost of sales	(20.651.154)	(20.160.133)	(1.582.141)	(1.385.073)	
Selling and marketing expenses	(2.592.324)	(2.626.497)	(4.321.640)	(3.467.934)	
Administration expenses	(2.512.217)	(2.211.690)	(1.060.420)	(988.702)	
Research and development expenses			(4.046.730)	(3.219.304)	
Other operating expenses			(46.398)		
Other operating income	94.293	28.311	3.127	50.653	
Segment income	**772.889**	**1.627.493**	**1.689.161**	**3.892.250**	
Finance income					
Profit before tax from continuing operations					
Income tax expenses					
Profit for the year from continuing operations					
Profit for the year from discontinued operations					
Profit for the year					
Segment assets	**28.139.791**	**28.432.672**	**13.999.275**	**14.218.625**	
Unallocated assets					
Consolidated assets					
Segment liabilities	**5.244.717**	**4.992.123**	**2.528.358**	**2.421.709**	
Unallocated liabilities					
Consolidated liabilities					
Additions to non-current assets	653.110	561.287	314.849	272.284	
Scheduled depreciation	(831.248)	(768.681)	(400.726)	(372.892)	

	Other segment		Group	
	31.12.2011 EUR	31.12.2010 EUR	31.12.2011 EUR	31.12.2010 EUR
			39.177.654	**39.500.111**
			(22.233.295)	(21.545.206)
	(700.731)	(384.522)	(7.614.695)	(6.478.954)
	(1.401.746)	(1.464.460)	(4.974.383)	(4.664.852)
	(251.139)	(403.370)	(4.297.870)	(3.622.673)
	(888.679)	(1.045.675)	(935.077)	(1.045.675)
	947.998	1.958.521	1.045.418	2.037.484
	(2.294.298)	**(1.339.507)**	**167.753**	**4.180.236**
			(205.200)	(195.966)
			(37.447)	**3.984.269**
			(172.565)	(2.378.498)
			(210.012)	**1.605.771**
			1.108.764	(2.966.352)
			898.752	**(1.360.581)**
			42.139.066	**42.651.298**
	7.876.016	6.777.660		
			50.015.082	**49.428.958**
	15.692.852	16.612.105		
			23.465.927	**24.025.937**
	14.074	4.798	982.033	838.369
	(6.406)	(8.946)	(1.238.380)	(1.150.519)

Geographic information

The Group operates primarily in four geographic regions: Germany, Portugal, the USA and Asia Pacific.

The Group's sales from continuing operations from transactions with external customers according to the geographic location of the business operations and information regarding the segment assets according to the geographic location of the assets are broken down as follows:

	External sales		Carrying amount of segment assets		Additions to non-current assets	
	2011 EUR	2010 EUR	31.12.2011 EUR	31.12.2010 EUR	2011 EUR	2010 EUR
Germany	27.668.124	27.687.372	43.285.859	35.005.972	915.996	683.692
Portugal	1.284.513	1.475.082	1.018.403	8.791.535	6.529	138.633
USA	2.810.810	3.164.527	930.760	1.098.261	0	0
Asia Pacific	7.414.207	7.173.131	4.780.059	4.533.189	59.508	16.044
Total	**39.177.654**	**39.500.111**	**50.015.082**	**49.428.956**	**982.033**	**838.369**
		thereof non-current	18.409.870	19.271.476		
		thereof Germany	18.203.256	18.473.193		
		thereof other countries	206.614	798.283		

18. Revenue

The Group's revenue for the fiscal year with regard to continuing operations are broken down as follows:

	2011 TEUR	2010 TEUR
Consulting	26.434	26.597
Software	12.744	12.903
	39.178	39.500

The Group's sales from Software for the fiscal year with regard to continuing operations are broken down as follows:

	2011 TEUR	2010 TEUR
Licenses	3.762	4.201
Services	1.678	1.923
Maintenance	7.304	6.779
	12.744	**12.903**

The revenue from production orders included in sales is immaterial, as in the previous year.

19. Other operating expenses

The other operating expenses amounting to EUR 935 thousand (previous year: EUR 1,046 thousand) primarily include expenses from rent, long-term lease and operating lease agreements, as well as currency losses in the amount of EUR 168 thousand (previous year: EUR 238 thousand). Please see section 28 for details regarding the rent and lease liabilities.

20. Other operating income

The other operating income of EUR 1,045 thousand (previous year: EUR 2,038 thousand) includes, for example, rental income from third parties for the use of the office in Waldorf in the amount of EUR 415 thousand (previous year: EUR 1,475 thousand) and currency gains in the amount of EUR 108 thousand (previous year: EUR 299 thousand).

21. Finance income

The finance income of minus EUR 205 thousand (previous year: minus EUR 196 thousand) comprises interest income in the amount of EUR 155 thousand (previous year: EUR 79 thousand) from loans and other financial liabilities (cash and bank balances) and interest expenses in the amount of EUR 360 thousand (previous year: EUR 275 thousand) for financial liabilities, in particular lease expenses.

22. Discontinued operations

REALTECH AG sold 100% of its shares in System Consulting, S. L., Madrid, Spain by contract dated June 28, 2011, as part of a management buy-out. The sale agreement is final. REALTECH does not hold an ongoing interest in the sold company.

In previous years, REALTECH System Consulting S. L. was predominantly reported under the Consulting segment or Europe excluding Germany.

In the previous year, REALTECH AG sold 100% 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.

The income components recognized in the consolidated statement of comprehensive income that are attributable to discontinued operations are listed below.

Income from discontinued operations

	2011 TEUR	2010 TEUR
Revenue	7.679	23.493
Other income	0	145
Gross income	**7.679**	**23.638**
Expenses	(7.485)	(24.535)
Pre-tax income	**194**	**(897)**
Attributable income tax expenses	(58)	16
Profit for the year	**135**	**(913)**
Income from measurement at fair value	1.360	(1.360)
Income from disposal of the operations	(386)	(693)
Income from discontinued operations		
(attributable to the owners of the company)	1.109	(2.966)

Cash flows from discontinued operations

	2011 TEUR	2010 TEUR
Net cash flows from operating activities	(225)	(1.184)
Net cash flows from investing activities	98	(82)
Net cash flows from financing activities	0	0
Total net cash flows	**(127)**	**(1.266)**

Assets and liabilities disposed due to loss of control

	28.06.2011 TEUR
Assets	
Cash and cash equivalents	518
Receivables	4.590
Property, plant and equipment	482
Intangible assets	57
Other financial assets	3
	5.650
Liabilities	
Trade payables	356
Other liabilities	2.446
	2.802
Net assets sold	**2.848**

23. Earnings per share

According to IAS 33, earnings per share are determined from annual net income after tax and the average number of outstanding shares during the year:

	2011 TEUR	2010 TEUR
Profit for the year	898.752	(1.360.581)
Attributable to		
- Owners of the company	806.128	(1.374.089)
- Non-controlling interests	92.624	13.508
Earnings per share		
From continuing and discontinued operations		
- Basic	0,15	(0,26)
- Diluted	0,15	(0,25)
From continuing operations		
- Basic	(0,06)	0,30
- Diluted	(0,06)	0,29
Average number of shares outstanding (quantity)		
- Basic	5.367.402	5.322.552
- Diluted	5.367.402	5.489.052

Convertible bond programs in 2002 to 2006 resulted in the following dilution effect in the previous year: The dilution effect results from the conversion rights for bonds. The dilution effect on income attributable to the entity is minimal.

The Executive and Supervisory Boards of REALTECH AG resolved in their meeting on February 27, 2012 to propose at the General Meeting to take place on May 22, 2012 in Wiesloch the distribution of a dividend of EUR 0.30 per share (previous year: EUR 0.00). This amounts to a total of EUR 1,615,695.60.

OTHER INFORMATION

24. Goodwill impairment test

According to IAS 36, for the purpose of testing for impairment, goodwill acquired as part of a business combination must be allocated starting from the day of the acquisition to each of the cash-generating units (CGUs) or groups of cash-generating units of the acquiring entity that plan to benefit from the synergies of the merger, regardless of whether other assets or liabilities of the acquiring entity have already been allocated to these units or groups of units.

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

The Consulting operating segment

The Consulting operating segment 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.

The Software operating segment

The Software operating segment develops products for IT service management and for the monitoring of business processes, and application lifecycle management products that support IT departments with regard to developing SAP applications.

The transactions that resulted in the various goodwill took place predominantly in 1999. For example, 100% of shares in LMC LAN Management Consulting GmbH, Schweitenkirchen (which is now REALTECH Software Products GmbH, Walldorf) were acquired. The acquisition resulted in goodwill in the amount of EUR 1,702 thousand. This entity was and is allocated only to the Software segment. Software is developed independently and distributed under the company's own theGuard! brand name.

Furthermore, 100% of shares in DB-Online GmbH, Mannheim (which is now REALTECH Services GmbH, Walldorf) and in GloBE technology GmbH, Walldorf (unchanged) were acquired. This resulted in goodwill for DB-Online GmbH in the amount of EUR 3,969 thousand and for GloBE technology GmbH in the amount of EUR 229 thousand. In subsequent years, the goodwill was amortized up to an amount of EUR 2,390 thousand. Both entities were allocated in full to the Consulting segment.

The two segments Consulting and Software have been managed within REALTECH Consulting GmbH and REALTECH Software Products GmbH since April 1, 2009. They thus represent REALTECH's entire business operations in Germany. The cash-generating units were specified on this basis: REALTECH Consulting as the CGU Consulting (Germany) and REALTECH Software Products GmbH as the CGU Software (Germany). They are monitored by REALTECH AG, which holds 100% of shares in the two entities. Another cash-generating unit is REALTECH Japan Co., Ltd., in which REALTECH AG holds 54.1% of shares. The entity REALTECH Japan has additional goodwill in the amount of EUR 240 thousand. REALTECH Japan is allocated in full to the Consulting segment.

The goodwill is comprised as follows on the reporting date:

	31.12.2011 TEUR	31.12.2010 TEUR
CGU Consulting Germany	2.390	2.390
CGU Software Germany	1.702	1.702
CGU REALTECH Japan (Consulting)	240	240
	4.332	**4.332**

A cash-generating unit to which goodwill is assigned must be tested for impairment of the unit annually and if indications exist by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount:

- If the recoverable amount of the unit is greater than its carrying amount, the unit and the goodwill allocated shall be regarded as not impaired.

- If the carrying amount of the unit is greater than its recoverable amount, the entity shall recognize the impairment loss.

Deriving the net carrying amount

The net carrying amount is derived as follows, based on the REALTECH Group's statement of financial position. As the goodwill impairment test is based on business operations and therefore does not present financing and tax influences, various statement of financial position items must be segregated when deriving the net carrying amount.

Determining the recoverable amount

The recoverable amount for the CGU Consulting (Germany), for the CGU Software (Germany) and the for the CGU REALTECH Japan is determined as follows by the higher of the fair value less cost to sell and the value in use of the cash-generating unit.

To calculate the recoverable amount, the DCF method was applied on the basis of the total free cash flow approach. This takes account of the fact that the level of the interest expenses is not fully deductible for tax purposes, which is implied to some extent in simple terms by the standard WACC approach.

The recoverable amount was calculated on the basis of the planned operating income (EBIT) of REALTECH Consulting GmbH, REALTECH Software Products GmbH and REALTECH Japan Co., Ltd. for 2012 and 2013 and the terminal value. Growth of 1% was assumed for the terminal value.

The (positive) EBIT was reduced by the calculated tax, to arrive at the NOPLAT (net operating profit less adjusted taxes). This value was corrected by the scheduled depreciation and investments of REALTECH Consulting GmbH and REALTECH Software Products GmbH. Here, it was assumed that depreciation and investments are the same with regard to the terminal value. Scheduled depreciation and investments of REALTECH Japan were not taken into account due to immateriality.

The amount calculated in this way was corrected by the change in the working capital. However, it was assumed that this amount was immaterial for 2012 and 2013 as well as for the terminal value.

The calculated weighted average cost of capital (WACC) was applied to the result. The equity costs to be taken into account were derived using the capital asset pricing model (CAPM). The WACC was calculated on the basis of data from the financial services provider Bloomberg. For the CGU Consulting (Germany), the same WACC (8.57%) was used as a basis for 2012 and 2013, and for the terminal value, a WACC calculated accordingly was used (7.68%). In the case of the CGU Software (Germany), a WACC of 8.91% was used for 2012 and 2013; for the terminal value, a WACC of 7.97% was used. For the CGU REALTECH Japan, the WACC was 9.68% for 2012 and 2013, and for the terminal value the WACC was 8.97%.

The total of the discounted cash flow calculated for every relevant year makes up the recoverable amount. This was compared to the calculated net carrying amount, to determine the potential impairment requirement:

CGU Consulting Germany

	31.12.2011 TEUR
Goodwill Consulting Germany	2.390
Working capital of REALTECH Consulting GmbH	(710)
Non-current assets of REALTECH Consulting GmbH	154
Net carrying amount	**1.834**
Recoverable amount	**27.252**

CGU Software Germany

	31.12.2011 TEUR
Goodwill Software Germany	1.702
Working capital of REALTECH Software Products GmbH	(992)
Non-current assets of REALTECH Software Products GmbH	208
Net carrying amount	**918**
Recoverable amount	**64.774**

CGU REALTECH Japan (Consulting)

	31.12.2011 TEUR
Goodwill Consulting Japan	240
Working capital of REALTECH Japan Co., Ltd.	1.933
Non-current assets of REALTECH Japan Co., Ltd.	232
Net carrying amount	**2.405**
Recoverable amount	**2.470**

As the recoverable amount in the case of the CGU Consulting (Germany), the CGU Software (Germany) and the CGU REALTECH Japan Co., Ltd. was greater than the corresponding net carrying amount, the goodwill impairment test did not result in impairment of goodwill as of December 31, 2011.

25. Corrections according to IAS 8

The auditing of the consolidated financial statements and the group management report as of December 31, 2011 revealed that a correction according to IAS 8 was required with regard to the accounting treatment of an office rented by REALTECH. The assessment of the office as a finance lease resulted in an increase of property, plant and equipment, deferred tax assets, current financial liabilities, non-current financial liabilities and deferred tax liabilities. This caused retained earnings to be increased by EUR 137 thousand.

In addition, the recognition of deferred tax assets had to be corrected due to the absence of temporary differences. Deferred tax assets and retained earnings were reduced by EUR 126 thousand.

Furthermore, the goodwill of the 100% subsidiary REALTECH Ltd., New Zealand had to be corrected. Goodwill and retained earnings were increased by EUR 31 thousand.

The corrections described increased the following statement of financial position items by the specified amounts as of January 1, 2010:

	TEUR
Goodwill	31
Property, plant and equipment	5.922
Deferred tax assets	1.323
Financial liabilities (current)	256
Financial liabilities (non-current)	5.483
Deferred tax liabilities	1.495
Retained earnings	42

The corrections changed the following items of the consolidated statement of comprehensive income by the specified amounts for the 2010 fiscal year:

	TEUR
Administration expenses	(183)
Other operating expenses	629
Interest expenses	(373)
Income tax expenses	7
Profit for the year	80

As of December 31, 2010, a correction was required according to IAS 8 with regard to the deconsolidation of REALTECH Italia S. p. A. The correction decreased the following statement of financial position items by the specified amounts as of January 31, 2010:

	TEUR
Goodwill	(35)
Retained earnings	(35)

The corrections increased annual net income and earnings per share for 2010 and 2011 by the following amounts:

	2011 EUR	2010 EUR
Annual net income	79.639,39	79.559,86
Earnings per share		
- Basic	0,02	0,02
- Diluted	0,02	0,02
Average number of shares outstanding (quantity)		
- Basic	5.367.402	5.322.552
- Diluted	5.367.402	5.489.052

26. Consolidated statement of cash flows

The consolidated 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 consolidated statement of cash flows encompasses all cash and bank deposits recognized in the statement of financial position as well as cash and bank deposits from discontinued operations. As in the previous year, this comprises overnight money only. The cash is not subject to any restrictions.

27. Personnel expenses and scheduled depreciation

Personnel expenses in fiscal year 2011 were EUR 25,040 thousand, compared to EUR 23,721 thousand the previous year. This concerned the items cost of sales, selling and marketing expenses, administration expenses and research and development expenses. The 6% increase is primarily due to the restructuring that took place in the year under review.

Expenses for defined contribution plans, such as pension funds, were EUR 2,554 thousand in the 2011 fiscal year (previous year: EUR 2,468 thousand).

Total scheduled depreciation was EUR 1,238 thousand (previous year: EUR 1,150 thousand). Of this, other intangible assets accounted for EUR 294 thousand (previous year: EUR 266 thousand) and plant, property and equipment accounted for EUR 944 thousand (previous year: EUR 884 thousand). This affected the cost of sales and administration expenses items, in particular. The 8% increase was caused primarily by investments in the areas of sales and distribution and research and development.

28. Lease agreements

Finance leases

As part of a property lease agreement, REALTECH has rented the second building of the REALTECH office in Walldorf, the Industriestrasse 41 property, for a non-cancelable term of 15 years from the PUDU Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Walldorf KG, Düsseldorf. The rental period began on June 1, 2001. The company has a right to acquire the building for an amount of around 45% of the original total investment costs.

The office is recognized in the consolidated financial statements under property, plant and equipment with an amount of EUR 5,556 thousand as of December 31, 2011 (December 31, 2010: EUR 5,739 thousand).

The useful life of the building was estimated to be 40 years. Annual depreciation is EUR 183 thousand. There was no indication of other impairment.

The Group's obligations as part of the finance lease are presented under financial liabilities.
The underlying interest rate for the liabilities from the finance lease of the property was set when the agreement was signed, and is 6.5% p. a.

After being unoccupied at the beginning of the 2011 fiscal year, parts of the office have been rented out again since April. Over the course of the year under review, full rental occupancy of the building was achieved and sustained.

Liabilities from finance leases

	Minimum lease payments		Present value of the minimum lease payments	
	31.12.2011 TEUR	31.12.2010 TEUR	31.12.2011 TEUR	31.12.2010 TEUR
With a remaining term of up to 1 year	596	620	257	264
With a remaining term of more than 1 year and up to 5 years	6.241	2.981	4.963	1.462
With a remaining term of more than 5 years	0	3.857	0	3.757
Less future finance costs	(1.617)	(1.975)	0	0
Present value of the rent/lease payments	**5.220**	**5.483**	**5.220**	**5.483**

	31.12.2011 TEUR	31.12.2010 TEUR
Recognized in the consolidated financial statements as		
Financial liabilities (current), see section 12	257	264
Financial liabilities (non-current), see section 14	4.963	5.219
	5.220	**5.483**

Other rent and lease agreements

As the lessee

The existing obligations arising from rent, lease and operating lease agreements as of December 31, 2011 are broken down as follows:

	TEUR
2012	1.033
2013	510
2014	240
2015	3
2016 and following years	0
	1.816

Expenses arising from rent, lease and operating lease agreements were EUR 1,457 thousand in the year under review (previous year: EUR 1,467 thousand). These are minimum lease payments only. They arise primarily from vehicle leases with a term of three years with a renewal option.

As the lessor

REALTECH rents parts of the office in Walldorf to external tenants. The rent agreements have a fixed basic rental term of between three and five years. The rental relationships are extended by one year if they are not terminated in compliance with the relevant notice period.

Future minimum lease income

	31.12.2011 TEUR
With a remaining term of up to one year	677
With a remaining term of more than one year and up to five years	1.796
With a remaining term of more than five years	0
	2.473

29. Financial instruments and notes on capital management

The carrying amounts and fair values of the financial instruments as of December 31 are as follows:

	31.12.2011			31.12.2010		
	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR
Assets						
Cash and cash equivalents	13.220	13.220	13.220	6.361	6.361	6.361
Trade receivables (incl. impairment)	9.883	9.883	9.883	16.711	16.711	16.711
Other financial assets	1.286	1.286	1.286	642	642	642

	31.12.2011			31.12.2010		
	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR
Liabilities						
Trade payables	1.360	1.360	1.360	1.459	1.459	1.459
Financial liabilities	6.967	6.967	6.967	8.292	8.292	8.292

	31.12.2011			31.12.2010		
	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR
Classification according to IAS 39						
Financial assets (Loans, receivables and impairment on receivables)	24.388	24.388	24.388	23.714	23.714	23.714
Financial liabilities (At amortized cost)	8.327	8.327	8.327	9.751	9.751	9.751

Determining fair value

In IAS 39, fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing partners in an arm's length transaction under usual market conditions. Accordingly, the best evidence of fair value is quoted prices in an active market.

Financial instruments measured at cost/amortized cost

The fair values of these financial instruments are calculated as follows. Cash and cash equivalants, trade receivables, other non-derivative financial assets: as the financial assets are mainly current, it is assumed that the fair values approximate their carrying amounts. Non-interest-bearing or low-interest-bearing loans to third parties are discounted to the present value of the expected future cash flow. The original effective interest rate is applied that a borrower would be required to pay to a financial institution for a similar loan.

On the reporting date, there were no material concentrations of credit risks for loans and receivables measured at fair value through profit or loss. The carrying amount reflects the maximum credit risk for these types of loans and receivables.

Trade payables and non-derivative liabilities: our non-derivative financial liabilities encompass borrowings and other non-derivative financial liabilities. As trade payables and other non-derivative financial liabilities are primarily current, we assume that the fair values approximate their carrying amounts. The carrying amounts of our borrowings from banks with variable interest rates generally correspond to the relevant fair values. The fair value of interest-bearing borrowings is calculated on the basis of available market prices or by discounting the cash flow with the market interest rates valid on December 31.

Net profits or losses

The following table presents the net profits and losses arising from financial assets measured at amortized costs included in the statement of comprehensive income:

	2011 TEUR	2010 TEUR
Interest income	155	79
Impairments	(130)	0
Reversals of impairments	0	399

The following table presents the net profits and losses arising from financial liabilities measured at amortized costs included in the statement of comprehensive income:

	2011 TEUR	2010 TEUR
Interest expenses	(360)	(275)

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

Since January 1, 1999, the Euro has been REALTECH's statement of financial position and Group currency. 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 Euro in respect to other currencies generally has a negative effect, while depreciation of the Euro has a positive effect. To present the market risk, sensitivity analyses are required according to IFRS 7, which indicate how hypothetical changes in the relevant risk variables would have affected our annual net income or other value changes recognized in equity.

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 statement of financial position 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, 74% of the Group's business activities as a proportion of revenue take place 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 2011. 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:

	31.12.2011 TEUR	31.12.2010 TEUR
Not due, not individually impaired	6.480	8.224
0 to 29 days past due	1.034	6.082
30 to 59 days past due	1.228	1.075
60 to 89 days past due	321	472
90 to 120 days past due	299	160
more than 120 days past due	0	308
Total of past due, but not individually impaired receivables	2.882	8.097
Individually impaired	521	391
Net carrying amount	**9.883**	**16.712**

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 12% of revenue (previous year: 17%), 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:

	31.12.2011			31.12.2010		
	Residual term					
	Up to 1 year TEUR	More than 1 year and up to 5 years TEUR	More than 5 years TEUR	Up to 1 year TEUR	More than 1 year and up to 5 years TEUR	More than 5 years TEUR
Trade payables	1.360	0	0	1.459	0	0
Financial liabilities	1.824	2.564	3.857	2.963	2.494	4.453
	3.184	**2.564**	**3.857**	**4.422**	**2.494**	**4.453**

The Group monitors solvency using daily calculations of liquidity status, supplemented by daily up-dating of liquidity planning.

Derivative financial instruments

The company does not have any derivative financial instruments.

Capital management

The Group's capital management area provides services to the business areas. It also monitors and controls the financial risks associated with the Group's business areas through internal risk reporting, which analyzes risks according to the level and extent of the risk. These risks encompass the market risk (including exchange rate risks, interest rate induced fair value risks and price risks), the credit risk and the liquidity risk. 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 statement of financial position. 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, 2011, the company's gearing was minus 0.25 (previous year: minus 0.20).

	31.12.2011 TEUR	31.12.2010 TEUR
Trade payables	1.360	1.459
Tax liabilities	6.883	6.470
Financial liabilities	6.967	8.292
Provisions	3.050	3.042
Deferred revenue	3.363	2.913
Gross financial liabilities	**21.623**	**22.176**
Cash and cash equivalents	13.220	6.361
Other financial assets	1.286	642
Trade receivables	9.883	16.712
Tax assets	3.978	3.600
Net financial liabilities	**(6.744)**	**(5.139)**
Equity according to the consolidated statement of financial position	**26.549**	**25.403**

Credit risk management

Credit risk refers to the risk of a loss for the Group, if a contract party does not meet its contractual obligations. The Group guidelines specify that business connections are formed only with creditworthy contract parties and, if appropriate, upon provision of collateral, to reduce the risks of a loss resulting from non-fulfillment of obligations. The Group only forms business connections with entities whose rating is investment grade or better. This information is provided by independent rating agencies. If this information is unavailable, the Group uses other available financial information and its own trading records to assess its major customers. The Group's risk exposure and the credit ratings of the contract parties are continuously monitored and the aggregate amount of the concluded transactions is apportioned among the contract parties concerned.

Trade receivables are owed by a large number of customers across different industries and geographic areas. Regular credit assessments are performed with regard to the financial situation of the receivables. Where appropriate, insurance is taken out against default.

With the exception of the Group's largest customer (see above under credit risks and under section 17), the Group is not subject to any material credit risks arising from a contract party or a group of contract parties with similar characteristics. The concentration of credit risks with regard to the largest customer did not exceed 20% of gross monetary assets at any time in the year under review. The credit risk from all other contract parties did not exceed 5% of gross monetary assets at any time in the year under review.

30. Bodies of the company

Supervisory Board

Daniele Di Croce (Chairman), management consultant
Peter Stier (Deputy Chairman), entrepreneur
Rainer Schmidt, entrepreneur

The executive bodies have no further members.

Executive Board

Dr. Rudolf Caspary (Chairman since August 1, 2011)
Thomas Mayerbacher (finance)
Nicola Glowinski (Chairman until July 31, 2011)

The executive bodies have no further members.

31. Remuneration of the Executive and Supervisory Boards

Remuneration received by the Executive Board in fiscal year 2011 totaled EUR 760 thousand (compared to EUR 802 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 535 thousand (previous year: EUR 480 thousand), while variable remuneration totaled EUR 204 thousand (previous year: EUR 271 thousand). Share-based remuneration was EUR 21 thousand (previous year: EUR 51 thousand). As in the previous year, no options were granted in fiscal year 2011.

The breakdown of the remuneration for the Executive Board members is shown in the following table:

	Fixed component TEUR	Variable component TEUR	Shared-based component TEUR
Dr. Rudolf Caspary	205	102	16
Thomas Mayerbacher	166	0	5
Nicola Glowinski (up to July 31, 2011)	164	102	0
	535	**204**	**21**

Up to and including March 15, 2013, Nicola Glowinski, who left the Executive Board on July 31, 2011, will receive a monthly severance payment of EUR 22 thousand each month (EUR 448 thousand gross in total) in line with his contractual remuneration, against which Nicola Glowinski must offset other income received from employment, in full, up to March 23, 2013. If, through a written statement, Nicola Glowinski exercises his right to withdraw from the obligation to offset and to submit appropriate evidence regarding the level of his remuneration, he will then receive only 50% of the severance payment installments that were originally to be paid until March 2013 as a one-off payment. In fiscal year 2011, severance payments paid to Nicola Glowinski amounted to EUR 112 thousand.

The remuneration structure of the Executive Board is presented in detail as part of the remuneration report as a component of the Group management report.

Remuneration received by the Supervisory Board in fiscal year 2011 totaled EUR 72 thousand (previous year: EUR 144 thousand). The fixed component was EUR 45 thousand (previous year: EUR 45 thousand), while variable remuneration (including attendance fees and travel expenses) amounted to EUR 27 thousand (previous year: EUR 99 thousand).

32. Directors' dealings

Changes in numbers of REALTECH shares held by members of the Executive Board of REALTECH AG in fiscal year 2011 can be seen in the following table:

	Dr. Rudolf Caspary	Thomas Mayerbacher	Nicola Glowinski
Situation as of 01.01.2011	34.000	120	24.000
Additions	14.320	1.500	0
Disposals	12.000	0	0
Situation as of 31.12.2011	**36.320**	**1.620**	**24.000***

* Situation as of July 31, 2011

Changes in numbers of REALTECH convertible bonds held by members of the Executive Board of REALTECH AG in fiscal year 2011 can be seen in the following table:

	Dr. Rudolf Caspary	Thomas Mayerbacher	Nicola Glowinski
Situation as of 01.01.2011	35.000	1.500	70.000
Additions	0	0	0
Disposals	12.000	1.500	0
Expired	23.000	0	70.000
Situation as of 31.12.2011	**0**	**0**	**0**

Changes in numbers of REALTECH shares held by members of the Supervisory Board of REALTECH AG in fiscal year 2011 can be seen in the following table:

	Daniele Di Croce	Rainer Schmidt	Peter Stier
Situation as of 01.01.2011	885.500	765.500	745.500
Additions	0	0	0
Disposals	0	0	0
Situation as of 31.12.2011	**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 2011.

33. 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 seat on the Supervisory Board or Executive Board of REALTECH AG, or some other key management position.

In fiscal year 2011, no companies of the REALTECH Group entered into transactions that require reporting with members of the Supervisory or Executive Boards (see section 30) 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 sections 31 and 32). This is also true of the close family of this group of individuals.

34. Employees

As of December 31, 2011, the REALTECH Group employed 329 people; as of December 31, 2010, the Group employed 327 people. As an annual average, 335 people were employed at the Group in 2011; the annual average for the previous year was 326.

The following table presents the number of employees broken down according to areas and regions:

According to areas

	31.12.2011	31.12.2010
Consulting	159	173
Product consulting	17	13
Development	50	42
Selling and marketing	54	53
Administration	49	46
	329	**327**

According to regions

	31.12.2011	31.12.2010
Germany	244	233
Portugal	19	23
USA	11	12
Asia Pacific	55	59
	329	**327**

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

Deloitte & Touche GmbH, Mannheim, received remuneration of EUR 174 thousand in total for the 2011 fiscal year, which is recognized as an expense. Of this amount, EUR 84 thousand is attributable to auditing, EUR 59 thousand to tax consulting services and EUR 31 thousand to other consulting services and other services as defined in Section 314, paragraph 1, points 9b) and 9d) of the German Commercial Code. In the previous year, PKF Deutschland GmbH, Heidelberg, received remuneration of EUR 101 thousand in total, which is recognized as an expense. Of this amount, EUR 68 thousand is attributable to auditing and EUR 33 thousand is attributable to tax consulting services. The company did not draw on any further consulting services or other services in the previous year as defined in Section 314, paragraph 1, points 9b) and 9d) of the German Commercial Code.

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

With regard to reports on existing interests that were made for REALTECH AG in the 2011 fiscal year, please refer to the annexes of REALTECH AG's annual financial statements as of December 31, 2011.

37. Declaration with respect to the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)

On October 27, 2011, the Executive and Supervisory Boards submitted their tenth compliance declaration in accordance with Section 161 of the German Stock Corporation Act and made it permanently available to shareholders on the company's website (www.realtech.de).

38. Events after the reporting date

No events are known after the reporting period that could have a significant impact on the Group's assets, financial position and earnings.

39. Approval of the financial statements

The financial statements were approved by the Executive Board on March 7, 2012 and released for publication.

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 7, 2012
REALTECH AG
The Executive Board

AUDITORS' REPORT

Independent Group Auditors' Report

We have audited the consolidated financial statements prepared by REALTECH AG, Walldorf - comprising the group balance sheet, statement of consolidated comprehensive income, consolidated cash flow statement, statement of changes in consolidated equity, and notes to the consolidated financial statements – and the group management report combined with the management report of the parent company for the financial year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and group management report in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and regulations under German commercial law to be applied as a supplement according to § 315a (1) German Commercial Code (HGB) is the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB („German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. 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 applicable accounting rules and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of REALTECH AG, Walldorf, comply with the IFRS, as applicable in the EU, and regulations under German commercial law to be applied as a supplement according to § 315a (1) German Commercial Code (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 regulations. The group management report which has been combined with the management report of the parent company as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Mannheim, March 7, 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Schmidt
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GLOSSARY

Administrator Technical support for a computer system.

Application lifecycle management Combination of development and support for application software across its entire lifecycle. This covers user support and ongoing development of the software.

Blog Public journal kept online, in which the author records specific issues or documents personal views.

Business process management Concept with which business processes can be described, controlled, modeled and optimized. It forms the basis for organizational and IT initiatives to improve processes along the value chain.

Business service management Refers to IT management from the perspective of business processes that are based on IT. Technical information is aggregated and correlated at the service level, to show the impact of the IT on business operations.

Change management Covers the ongoing adaptation of business strategies and structures to meet changed underlying conditions and all processes related to the ongoing development of IT systems.

CIO Is responsible for the strategic and operational management of IT at a company (IT director).

Cloud computing Describes the approach of dynamically adapting IT infrastructures such as computing capacity, data storage, network capacities and software in line with requirements and making them available via the Internet.

Compliance Adherence to laws, guidelines, requirements, regulatory standards and voluntary codes at companies.

Configuration management The purpose is to operate the entire IT infrastructure centrally. Important tasks and activities are the management of existing hardware and software models and configurations, and asset and inventory management.

Hyper-V Virtualization technology from Microsoft that allows a server's computing power to be made available for several applications that are used concurrently, so that existing resources are fully utilized.

ITIL (IT Infrastructure Library) Global standard for IT operations.

IT infrastruktur management
Covers the checking and control of IT infrastructures (all devices at the computer center, PCs and PC-software, mobile devices) by suitable software and processes (usually in accordance with the ITIL standard).

Linux
License-free, open operating system based on platform neutrality, which is further developed worldwide (see open source operating system).

Migration
Various changeover processes in data processing systems, in particular the implementation of a new technology largely using existing applications, structures and resources. The aim is usually to harmonize systems and therefore reduce costs for IT operation.

OEM
An original equipment manufacturer (OEM) is the company that originally manufactured the product. The provider purchases components from other manufacturers, incorporates them into its products and sells these under its own name. Automobile manufacturers are also referred to as OEMs, for example.

Open source operating system
License free and open operating system (see Linux). It is based on software with a freely available source code, which anyone can develop and distribute.

Outsourcing
This refers to the outsourcing of computer centers and IT tasks, to reduce costs for technical infrastructure, maintenance and personnel.

SAP HANA/SAP in-memory computing
SAP HANA (High-Performance Analytic Appliance) is a database technology from SAP that enables analyses and reports of large quantities of data volumes very quickly based on the in-memory technology. The idea here is to store large parts of a database in a computer's fast main memory, which speeds up complex computing operations considerably.

SAP NetWeaver
Software and integration platform for business applications from SAP.

SAP Solution Manager
The central tool for managing SAP software. The aim is to make implementation, operations and monitoring of SAP solutions easier for the companies that use them.

Social media plattforms
Digital media and platforms in which Internet users exchange opinions, impressions, experience or information, and gather knowledge. Examples are Facebook, YouTube, Twitter, Wikipedia and Xing.

White paper
Deals with a specific topic in detail and provides information regarding standards, technologies and trends, for example. User descriptions, case studies and market research results are all examples of white papers.

FINANCIAL CALENDAR

Financial Calendar 2012

May 3, 2012
Quarterly Report 1/2012

May 22, 2012
General Meeting, Palatin, Wiesloch, 10.00 a.m.

August 2, 2012
Quarterly Report 2/2012

November 6, 2012
Quarterly Report 3/2012

November 12 - 14, 2012
Deutsches Eigenkapitalforum, Frankfurt

Financial Calendar 2013

March 28, 2013
Annual Report 2012

May 2, 2013
Quarterly Report 1/2013

August 1, 2013
Quarterly Report 2/2013

November 7, 2013
Quarterly Report 3/2013

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This annual report is also available in German.

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