Annual Report
2012

REALTECH

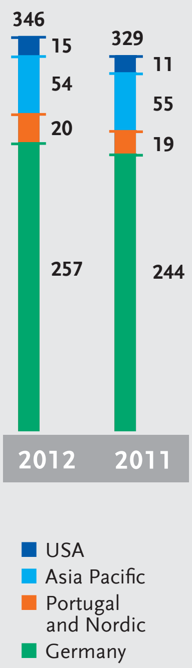
At a Glance

	2012 TEUR	Δ %	2011 TEUR
Revenue and income			
Revenue	39.838	2	39.178
Revenue consulting	27.560	4	26.434
Revenue software	12.278	(4)	12.744
Revenue Germany	26.211	(5)	27.668
Revenue foreign countries	13.627	18	11.510
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1.648	17	1.406
Earnings before interest and taxes (EBIT)	418	149	168
Earnings before taxes (EBT)	510	1.462	(37)
Profit for the year (attributable to owners of the company)	(206)	(125)	806
Earnings per share (EUR)	(0,04)	(125)	0,15
Investments and depreciation			
Investments in intangible and tangible assets	964	(2)	982
Depreciation	1.230	(1)	1.238
Assets, liabilities and equity (end of year)			
Cash and cash equivalents	11.257	(15)	13.220
Total current assets	28.173	0	28.037
Total non-current assets	21.503	(2)	21.978
Total assets	49.676	(1)	50.015
Total current liabilities	18.520	12	16.481
Total non-current liabilities	6.570	(6)	6.985
Equity	24.586	(7)	26.549
Equity ratio (%)	49,5	(7)	53,1
Return on equity (%)	(0,78)	(124)	3,17
Key figures			
Gross margin (%)	45,4	5	43,3
EBITDA margin (%)	4,1	15	3,6
EBIT margin (%)	1,0	145	0,4
Net cash flows from operating activities	793	(69)	2.545
Net cash flows from investing activities	(520)	(112)	4.331
Net cash flows from financing activities	(2.079)	(4.080)	(50)
Employees (end of year)	**346**	**5**	**329**

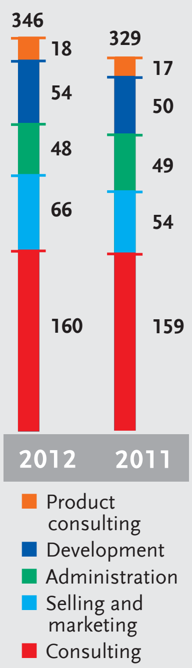
Negative figures are shown in parenthesis.

Employees (end of year)

according to regions

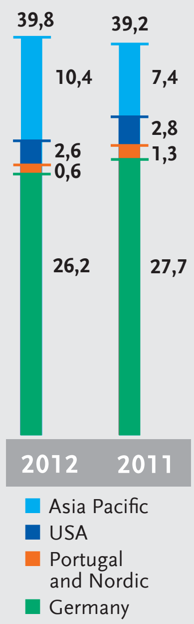


according to areas

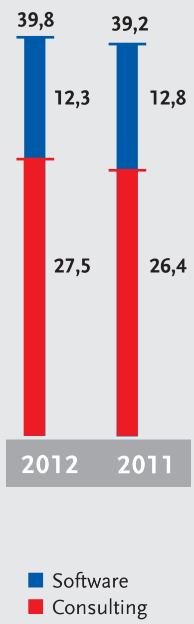


Revenues (millions EUR)

according to regions

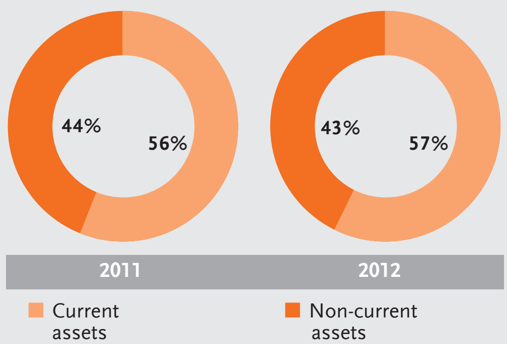


according to segments

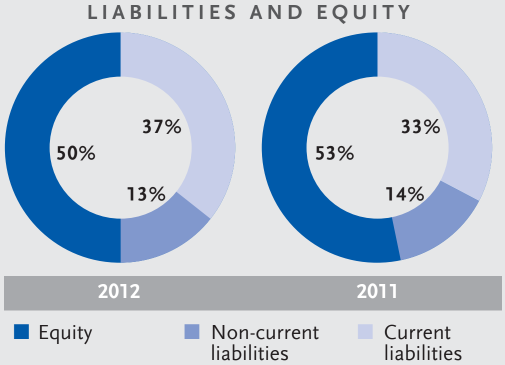


Consolidated statement of financial position structure (end of year)

ASSETS



LIABILITIES AND EQUITY



Essentials

Income from operations (EBIT) improved in the 2012 fiscal year to EUR 418 thousand (previous year: EUR 168 thousand), thus increasing the operational margin from 0 percent to 1 percent. The EBITDA rose by 17 percent from EUR 1,406 thousand to EUR 1,648 thousand.

REALTECH presented a new consulting solution for targeted use of the innovative application SAP HANA. Decision makers from IT management can thus find out about this popular solution and discover how companies can even analyze large data volumes in a very short time.

In 2012, the REALTECH share price did not yet reflect the potential that the strategic realignment and close partnership with SAP will open up to the company. However, the Executive Board and Supervisory Board expect the Group restructuring to make a big impact in 2013 and anticipate further successes.

With Timplify, our experts are developing a completely new and unique software in the market, which uses the latest cloud technologies and SAP HANA so that companies can efficiently manage and operate their ever-expanding IT landscapes and the growing number of mobile devices.

The Executive Board is expecting revenues of EUR 47.9 million and income from operations (EBIT) of EUR 2.1 million in the current 2013 fiscal year. EUR.
... it is planned that earnings will rise to EUR 52.2 million and EBIT to EUR 3.7 million in 2014.

An important unique selling point of REALTECH continues to be its outstanding technical expertise of software and ystem architecture, combined with knowledge of how customers can implement innovative technologies profitably.

Content

Annual Review

First Quarter

Faster software updates

Basel University Hospital uses REALTECH solutions to make developing its SAP applications more secure and efficient. This allowed the hospital, which is one of Switzerland's leading medical centers, to reduce the manual effort required for software updates by more than 50 percent.

REALTECH stand at CeBIT

REALTECH again had its own stand at the world's largest IT trade fair in 2012. The trade fair team informed visitors about how IT departments can operate their computer systems in an efficient and fail-safe manner, for example.

theGuard! improves SAP application

SAP relies on theGuard! from REALTECH for system monitoring of its SAP Business ByDesign business software provided via the Internet. SAP integrated components of the REALTECH software to improve control options for the new SAP application and reduce downtime.

Sales activities launched in Scandinavia

The founding of REALTECH Nordic in Copenhagen aims to expand sales of software products in the Scandinavian countries. The goal of the software division is to expand the international product business.

Second Quarter

Better to be safe

REALTECH developed a new consulting package for SAP customers, which companies can use to design an IT solution so that users only have to log in to an IT system once. Employees then have access to all required software systems and data at the company. This saves time-consuming multiple logins and increases security.

Shareholder meeting 2012

At REALTECH AG's 13th annual general meeting, Chief Executive Officer Rudolf Caspary informed around 200 shareholders and guests about the current strategy and the company outlook. All resolutions were passed in support of the management.

Close to SAP innovations

REALTECH supported the German translation of the new book by SAP founder Hasso Plattner on in-memory technology and SAP HANA. Dr. Rudolf Caspary, Chief Executive Officer of REALTECH AG, submitted the first German version to SAP at the first in-memory-computing-conference ever.

REALTECH customers report about their successes

SAP presented a new version of its software solution SAP Solution Manager to more than 250 international customers. Two satisfied REALTECH customers, insurance group Munich RE and Japanese automobile supplier NHK Spring, explained just how smoothly the REALTECH software products work with this SAP solution.

Technology blog for experts

REALTECH launched a technology blog, in which seasoned experts report on trends from the IT world. The aim of the blog is to provide in-depth expert knowledge and technical support to IT specialists in the workplace. To address potential readers worldwide, and thus increase international awareness, the posts are written in English.

Third Quarter

Discovering valuable data treasures

REALTECH presented a new consulting solution for targeted use of the innovative application SAP HANA. Decision makers from IT management can thus find out about this popular solution and discover how companies can even analyze large data volumes in a very short time.

Preventative healthcare for hospital IT

Consultants from REALTECH and Klinikum Stuttgart modernized the hospital's server environment – without having any noticeable effect on ongoing operation. Within just 18 hours, the experts put a new database into operation, allowing them to half the response times of the IT system. Furthermore, hardware costs were significantly reduced and the size of the database was reduced by half.

To the SAP update immediately

The IT consulting company Pentland Firth provides user-friendly enhancements for the SAP NetWeaver Portal. With REALTECH's support, the company, based in Munich and Singapore, implemented a new version of SAP Solution Manager in just five days. The company can now install software updates much more quickly and conveniently.

Successful at the DSAG Congress

With around 4,000 visitors, the 13th annual congress of the German-speaking SAP user group (DSAG) set a new record. REALTECH presented new products and consulting services for SAP customers at this important event. At the same time, the trade fair team also made a host of new contacts.

Fourth Quarter

Municipal utilities company lightens its load

Stadtwerke München uses theGuard! to make it easier to operate and maintain its SAP landscape easier. With the help of the REALTECH solution, any software changes of the supplier are now distributed to the various IT systems automatically and more securely. The risk of a system crash due to software errors is also reduced.

Free security check

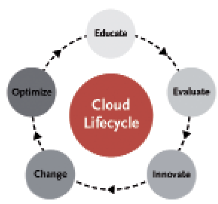
A new consulting solution supports IT managers in operating their SAP applications more securely and with higher performance. A free security check provides companies with preliminary indicators of potential weaknesses and vulnerabilities in their IT system.

Great interest in new solutions

At Sapphire NOW in Madrid, the important SAP in-house show, REALTECH presented new solutions for simplified maintenance of SAP applications. With the new theGuard! SmartChange software, IT departments and SAP managers increase the quality, speed and efficiency of changes in SAP landscapes while reducing the downtime of IT systems used throughout the company.

Is cloud computing worthwhile for us?

Cloud computing, obtaining computing power from the Internet, is a key trend in the IT industry. A new REALTECH consulting solution advises companies whether and when the combination of cloud and SAP is worthwhile: the "Cloud Benefit Assessment" allows SAP customers to make objective and fact-based decisions for or against the cloud.



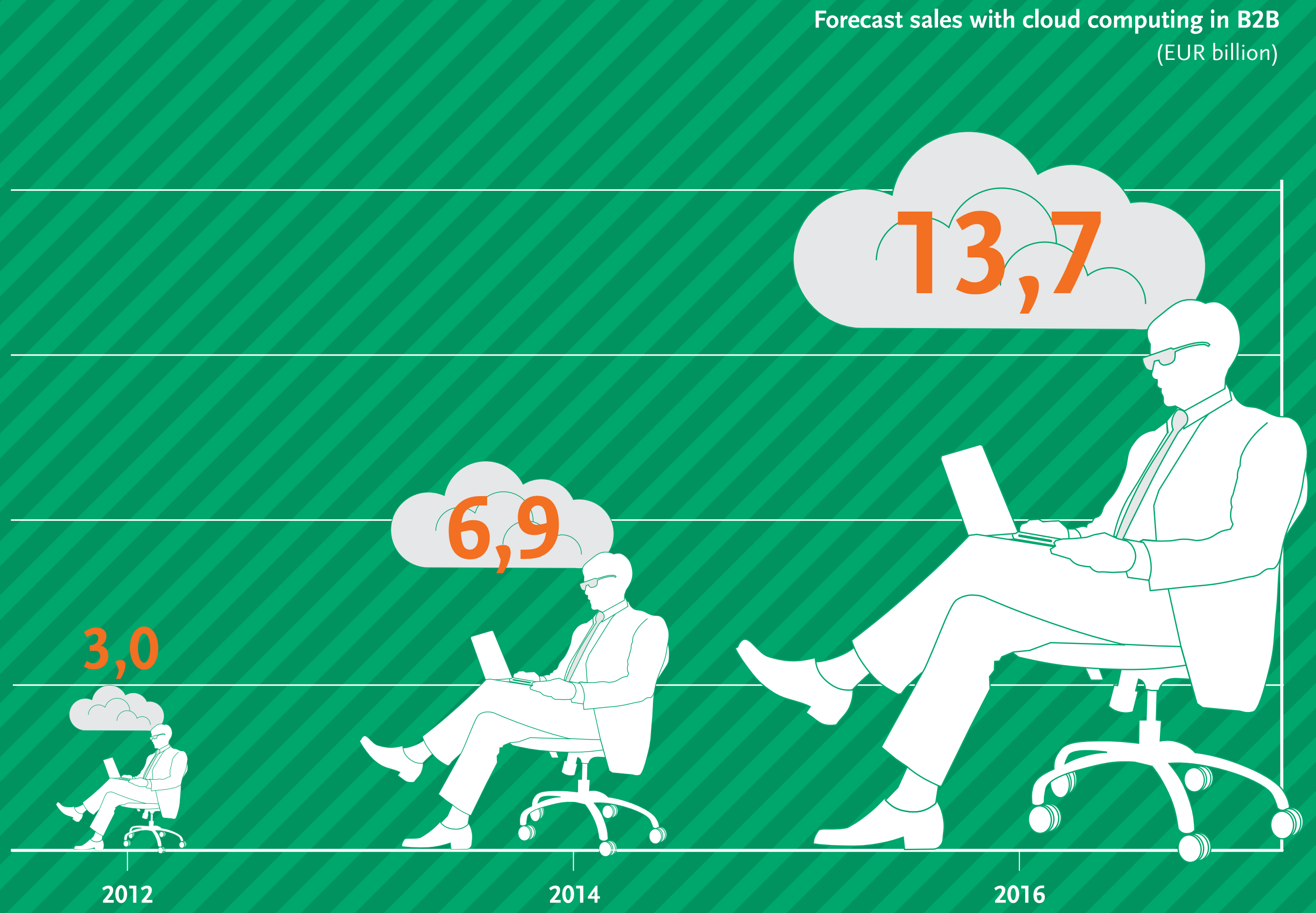
„We‘re going to demote the PC and Mac to just be a device. We‘re going to move the hub, the center of your digital life, to the cloud.“

Steve Jobs (†),
former CEO of Apple Inc.

Cloud computing allows IT departments to provide users in a company with software solutions, data storage as well as computing and network capacities quickly and flexibly. This means that IT managers can implement the business requirements of the user departments much faster than before.

And this is precisely where REALTECH is providing support today: the "Cloud Benefit Assessment" consulting solution enables SAP customers to make objective decisions for or against the cloud, and it does so by determining what economic benefits they would gain by outsourcing business processes to the cloud. In addition, REALTECH consultants support companies in migrating and virtualizing services and this creates the necessary conditions for operating IT-supported processes reliably.

This is where REALTECH theGuard! software plays a crucial role: regardless of whether companies organize the cloud services themselves or procure them from a third party – the services need to be monitored and operated. This is ensured by theGuard! in diverse scenarios with the usual high level of reliability. The solution currently being developed by REALTECH, Timplify, a new cloud-based software for managing IT infrastructures, ties in seamlessly here: the knowledge database integrated into Timplify allows IT departments to find and provide cloud services that can be combined with one another.



Source: BITKOM, Experton

3 Report of the Executive Board

Dr. Rudolf Caspary
(Chief Executive Officer)

Thomas Mayerbacher
(Chief Financial Officer)

DEAR SHAREHOLDERS AND BUSINESS PARTNERS,

Since it was founded 19 years ago, REALTECH has firmly established itself in the IT market. Our customers value our high level of technological expertise and the long-standing expertise of our consultants. At the same time, with our theGuard! software solution we have created one of the world's leading IT tools for managing and optimizing IT landscapes. This is also demonstrated by the agreement concluded with SAP AG in 2011, which allowed us to integrate our technology into the software corporation's solutions.

In an increasingly complex world, it is REALTECH consultants, with their high level of expertise and solution knowledge, who support IT managers in using their IT systems in an optimum manner. As a result, we now have a market position that every employee at REALTECH can be proud of. It has not been an easy road and our full commitment was required again and again.

Our consulting portfolio covers innovative solutions for the central topics that IT departments are currently focusing on. However, continuous effort is required in order to expand our market position in the future, too. Our current times are characterized by rapid technological innovations. In this extremely dynamic market environment, it is important for technology consultants like REALTECH to be able to respond as quickly as possible to changes. In 2011, we therefore began restructuring our company, while systematically optimizing our range of products and services and making them ready for the future. We then intensified these activities the following year in 2012, in order to remain at the forefront of this fast technological progress.

Our consulting portfolio covers innovative solutions for the central topics that IT departments are currently focusing on. However, continuous effort is required in order to expand our market position in the future, too.

At the beginning of the year under review, we founded a new distribution center in Denmark under the name REALTECH Nordic, giving us a base in Copenhagen from which to establish our software products in the Scandinavian countries. Furthermore, we presented a host of innovative enhancements for our theGuard! software, allowing us to acquire new customers. Our employees were also very successful in the Consulting business segment, presenting and implementing their concepts and strategies for optimizing the IT landscapes of high-profile customers. In addition, our experts designed new consulting solutions in order to turn technological advances into concrete added value for our customers. In many conversations with customers, we have received very positive feedback for the solutions we have developed as well as our long-term product strategy. We are therefore confident that we have a very competitive range of products and services on the market.

We have also been focusing strongly on the personnel market. REALTECH, with its highly qualified consultants in the Consulting segment, is subject to market-related fluctuation. The shortage of skilled workers that still exists in the IT sector is creating ever-increasing competition for the best people – this is particularly true for well-trained SAP consultants. In 2012, we therefore more than doubled our efforts to attract new talent. In doing so, we were able to recruit and successfully train countless new employees.

Nevertheless, we were unable to achieve the initially planned tempo for our intensive realignment in the year under review. In mid-2012, we were therefore forced to conclude that the previous progress achieved was unlikely to be sufficient to achieve the projected financial results for the current fiscal year. We immediately informed the capital markets of this in an ad-hoc disclosure released on July 24, 2012.

In many conversations with customers, we have received very positive feedback for the solutions we have developed as well as our long-term product strategy. We are therefore confident that we have a very competitive range of products and services on the market.

Slight increase in Group revenue

We now come to the key figures for the 2012 fiscal year: In economic conditions characterized by reluctance to invest and price pressure, REALTECH AG increased its Group revenue by 2 percent to EUR 39.8 million. In the Consulting business segment, revenue improved by 4 percent to EUR 27.5 million, while we recorded a 4 percent decrease in revenue in the Software business segment to EUR 12.3 million.

This was also reflected in the operating profit of the business segments. For example, in the year under review, the Consulting business segment contributed a pleasing EUR 2.0 million to the Group EBIT, after just EUR 0.8 million in 2011. In contrast, the EBIT contribution of the Software division fell from EUR 1.7 million to EUR 0.0 million. Overall, Group EBIT rose from EUR 0.2 million to EUR 0.6 million in 2012 – despite our strategic investments in new products, market segments and employees. EBIT also benefited from the increase in operating profit in Japan and New Zealand, which was based on improved performance in the Consulting segment. However, a reduction in software sales year-on-year counteracted this positive development. Furthermore, expenditure resulting from a legal dispute in the United States needed to be considered, which directly affected operating profit. On the other hand, we fully let our office in Walldorf again in 2012 and thus generated more income in this area than in the previous year.

Profit for the year decreased from EUR 0.9 million to EUR 0.1 million in the year under review. With regard to this decrease, it should be noted that income from discontinued operations in 2011 was EUR 1.1 million as a result of the sale of the subsidiaries in Italy and Spain. Furthermore, our income tax expense was EUR 0.3 million higher for the year as a whole.

Germany remains REALTECH's key market, but the Asia-Pacific region, in particular, including Japan, Singapore and New Zealand, recorded strong growth in 2012. REALTECH also operates in Europe (in Portugal and in Denmark since 2012) as well as in the United States. Developments in revenue and income in our regions were inconsistent in the 2012 fiscal year: In Germany, we generated 66 percent of our revenue in the fiscal year that has just ended (previous year: 71 percent), with revenue 5 percent lower than in the previous year. We also recorded a decrease in revenue year-on-year in Portugal and the United States. In contrast, revenue in the Asia-Pacific region increased by 40 percent, with Japan, Singapore and New Zealand recording a significant increasing in income from operations. This was also achieved in Portugal despite a decrease in revenue, while EBIT in Germany and the United States decreased year-on-year.

Profitable growth remains the focus

In 2013, we will continue to strengthen our overall portfolio by developing new products and solutions. Furthermore, because selected components of our theGuard! software are now a permanent component of the SAP product portfolio "SAP IT Infrastructure Management", one of the focuses of our growth strategy in the future will be customer projects based on innovative SAP solutions. These include SAP Mobile, Cloud Computing, SAP HANA and SAP Solution Manager.

In 2012, we founded Timplify GmbH, based in Karlsruhe, for a highly innovative project, and the company is now operational with its first employees: with Timplify, our experts are developing a completely new and unique software in the market, which uses the latest cloud technologies and SAP HANA so that companies can efficiently manage and operate their ever-expanding IT landscapes and the growing number of mobile devices. Timplify offers IT departments a completely new way of looking at the hardware and software components in the entire company.

With Timplify, our experts are developing a completely new and unique software in the market, which uses the latest cloud technologies and SAP HANA so that companies can efficiently manage and operate their ever-expanding IT landscapes and the growing number of mobile devices.

To sum up, we can say: in the year under review, REALTECH took an important step towards increased competitive strength and a focused service portfolio. We constantly monitor this progress as well as the development of revenue and income, and can thus make the necessary adjustments at short notice – and this will continue in 2013. We are confident that our chosen direction and long-term strategic goals are consistent with the requirements of our customers and reflect the current market trends.

Across the world, more than 2,200 customers representing all sizes and industries rely on REALTECH's consulting services and products. This is especially thanks to the expertise and strong commitment of our employees. With their know-how, motivation and team spirit, they have made REALTECH a globally recognized consulting and software specialist that creates future-proof IT landscapes and gives customers genuine added value through IT.

Our goals for 2013

We will continue along our chosen path and continue to invest in software development, technological innovations and highly qualified employees. We will also push forward with the Timplify project and present the new solution to initial customers this year. We will invest around EUR 2.5 million in this project in total over the next three years. In view of this investment, however, we plan to increase our revenue and income significantly this year compared to 2012: we anticipate Group revenue of EUR 47.9 million and EBIT of EUR 2.1 million in fiscal year 2013. A stronger SAP distribution channel for our software and the successful positioning of new consulting topics on the market, in particular, will help us to achieve these goals.

In addition, we will cooperate with universities and research institutes to position ourselves as a leading technology consultant for popular topics such as cloud computing, ergonomic interfaces and in-memory databases based on SAP HANA.

The Executive Board assumes that the only companies that will succeed in the highly competitive market for IT technology are those that bring innovations to the market quickly and constantly review and optimize their own structures and processes. However, sustainable new developments take time, especially when they need to be impressive in terms of quality and range of functions. We are certain that we will overcome these challenges in fiscal year 2013 with our range of services, innovative product portfolio and our motivated and highly trained experts.

Across the world, more than 2,200 customers representing all sizes and industries rely on REALTECH's consulting services and products. This is especially thanks to the expertise and strong commitment of our employees.

We would like to thank our customers, partners and employees as well as our Supervisory Board and shareholders for their trust and support.

Best regards,
The Executive Board

„The growth trend in mobile data services will continue to accelerate in the future.“

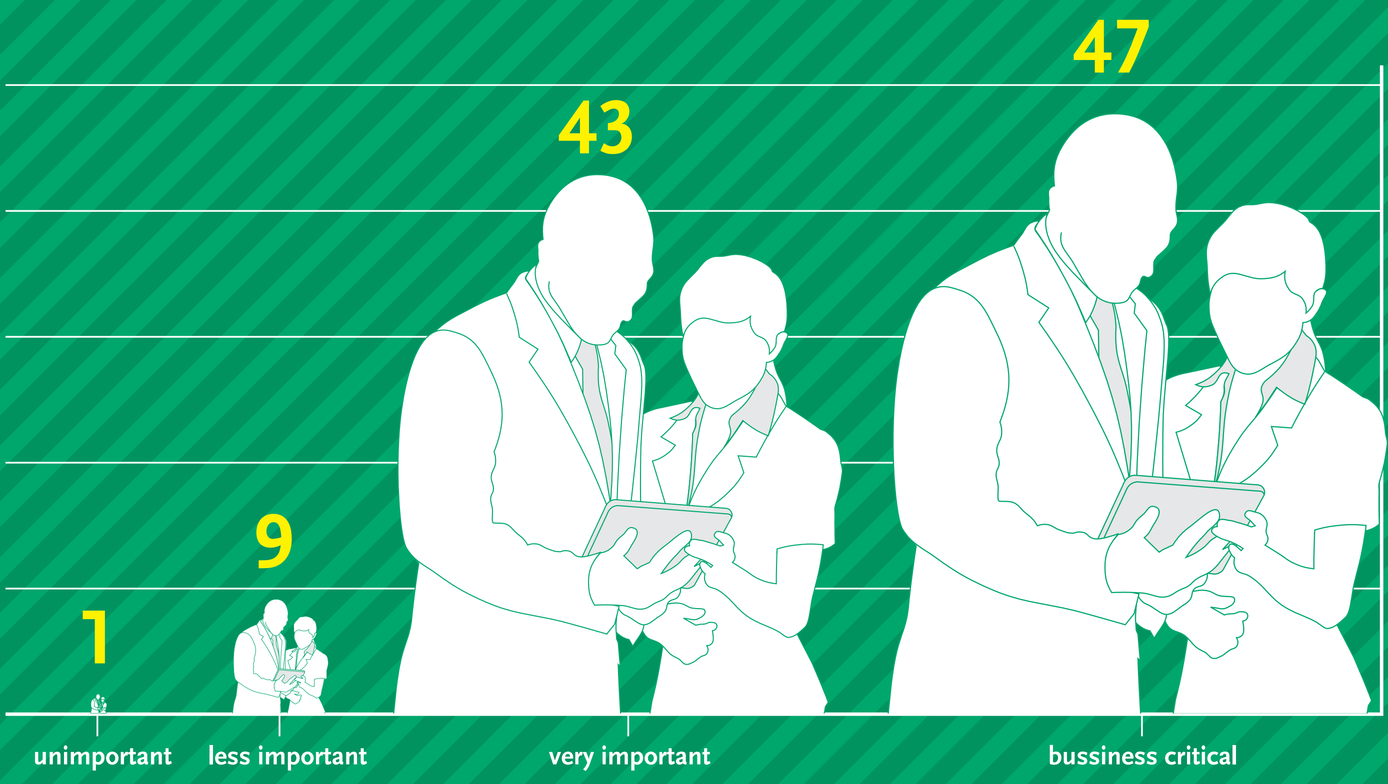
Jens Schulte-Bockum,
BITKOM Presiding Committee

REALTECH makes Austrian wood processing companies mobile

Smartphones, tablet PCs and industry-specific mobile terminal equipment have long been an integral part of day-to-day life – this is also the case for a wood processing company based in Austria. However, the increased flexibility for employees creates high requirements for monitoring and managing the mobile systems.

To meet these challenges in a more targeted manner, the customer decided to implement the SAP Afaria software platform together with REALTECH. The solution helps companies to manage their mobile terminal equipment and applications effectively and securely. REALTECH experts successfully implemented SAP Afaria and provided the customer's IT specialists with the necessary expertise, so that the solutions can be operated independently in the future. The consultants on site stood out particularly because they met all requirements in a timely manner – even when these requirements were not directly related to the platform. The path was then clear for the system to quickly go live.

How important is mobile technology for decision-making processes at your company?
(in percent)



Source: Mid-Year Enterprise Mobility Survey 2012

3

Report of the Supervisory Board

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

DEAR SHAREHOLDERS,

The following report provides information in accordance with Section 171 paragraph 2 of the German Stock Corporation Act (AktG) regarding the activities of the Supervisory Board in the 2012 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.

All tasks and duties diligently met

In the 2012 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 managing 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.

The members of the Supervisory Board advised the Executive Board continually on managing the company and monitored the company's management. The Supervisory Board was involved in all decisions of fundamental importance appropriately and within good time.

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.

Meetings of the Supervisory Board

In the 2012 fiscal year, four ordinary meetings were held. Furthermore, the Supervisory Board's constituent meeting was held on July 25, 2012 following the re-election of its members at the shareholder meeting on May 22, 2012. The resolutions of the Supervisory Board were passed at the meetings – with the exception of resolutions passed by way of circulation. With regard to content, the Supervisory Board primarily addressed the strategic development of the group and its economic situation. Representatives of the auditing company elected at the General Meeting were also present at one meeting 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 were always present the Supervisory Board 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.

At the beginning of 2012, 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 2012 focused on specific measures to ensure positive development in the Consulting and Software segments. The aim of the Supervisory Board's activities was to make REALTECH more profitable, more innovative, and even more attractive to highly skilled personnel.

At the meeting on February 27, 2012, the Supervisory Board considered the provisional figures for the fourth quarter of 2011 and fiscal year 2011.Other topics were the opportunities and risks of a specific, potential company acquisition, the newly founded subsidiary REALTECH Nordic and the economic development of the other subsidiaries. The Supervisory Board also discussed the first draft of the agenda of the General Meeting of May 22, 2012 and resolved to propose a dividend of EUR 0.30 per share.

In a meeting on March 22, 2012, the Supervisory Board addressed as a matter of priority the financial accounting and group accounting of REALTECH AG for fiscal year 2011, the audits carried out by the Deloitte & Touche GmbH auditing company, and the Executive Board's proposal for the use of the retained earnings of REALTECH AG achieved in fiscal year 2011. The auditor took part in the Supervisory Board meeting and provided a detailed report of its audit and the results. The Supervisory Board expressed its agreement with the auditing and approved the financial statements for fiscal year 2011 after reviewing them itself. The Executive Board's proposal for the appropriation of retained earnings was also examined and supported by the Supervisory Board.

In addition, the proposed resolutions for the agenda of the 2012 General Meeting were adopted. Another subject discussed at this meeting was the Executive Board's reporting of the future development of the Consulting segment, particularly in Germany.

In the meeting of July 25, 2012, the Supervisory Board discussed income generated in the first half of 2012 and the outlook for the second half of 2012. Furthermore, the Executive Board presented the measures taken to increase revenue and income as well as the planned new operational issues in the Software and Consulting segments.

Participants of two workshops – one for the Consulting segment and one for the Software segment – were the managing directors of the operating units of the German REALTECH companies as well as the Executive Board and Supervisory Board of REALTECH AG. The goal was to inform the Supervisory Board specifically about the current situation and strategic orientation in both units.

At the Supervisory Board meeting of December 20, 2012, the members discussed the year-end expectations and forecasts in detail. They also discussed and decided on the planning for 2013.

In addition to the scheduled Supervisory Board meetings, workshops –one for the Consulting segment and one for the Software segment – were held on October 23, 2012 and November 15, 2012. Participants of these two workshops were the managing directors of the operating units of the German REALTECH companies as well as the Executive Board and Supervisory Board of REALTECH AG. The goal was to inform the Supervisory Board specifically about the current situation and strategic orientation in both units.

Corporate Governance

The Supervisory Board focuses regularly on 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 Supervisory and Executive Boards discussed the recommendations of the Government Commission on the German Corporate Governance Code dated May 26, 2010, or the version of May 15, 2012 since it came into effect, and passed the joint declaration of compliance on November 15, 2012. This 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 61 of the annual report.

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

Annual and consolidated financial statements 2012

REALTECH AG's annual financial statements for 2012 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 22, 2012 and engaged as auditor by the Supervisory Board.
The same applies to the 2012 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 14, 2013 the Supervisory Board approved the consolidated financial statements for 2012, the combined management report for 2012, and REALTECH AG's annual financial statements for 2012, and agreed to the Executive Board's proposal for the appropriation of net profits.

Members of the Executive and Supervisory Boards

The term of office of the Supervisory Board members elected and working as shareholder representatives ended with the conclusion of the shareholder meeting on May 22, 2012. Amongst other things, this event included elections for the new Supervisory Board. In accordance with the provisions of Section 96, paragraphs 1 and 4 of the German Stock Corporation Act, as well as Item 9.1 of the Articles of Association, the Supervisory Board is made up of three members to be elected at the General Meeting. The General Meeting elected Daniele Di Croce, Rainer Schmidt and Peter Stier as members of the Supervisory Board up to the end of the General Meeting that formally approves the actions of company management for the fiscal year ending on December 31, 2016.

The members of the Executive Board remained unchanged in fiscal year 2012.

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). The Supervisory Board wishes to thank the Executive Board, the managing directors of the subsidiaries and each and every employee for their excellent commitment and performance in fiscal year 2012. We would also like to thank our customers and partners, who have also made a significant contribution to the success of our company.

Walldorf, March 2013
For the Supervisory Board
Daniele Di Croce
Chairman

On March 14, 2013 the Supervisory Board approved the consolidated financial statements for 2012, the combined management report for 2012, and REALTECH AG's annual financial statements for 2012, and agreed to the Executive Board's proposal for the appropriation of net profits.

„In-memory technology presents a radical change to the database market.“

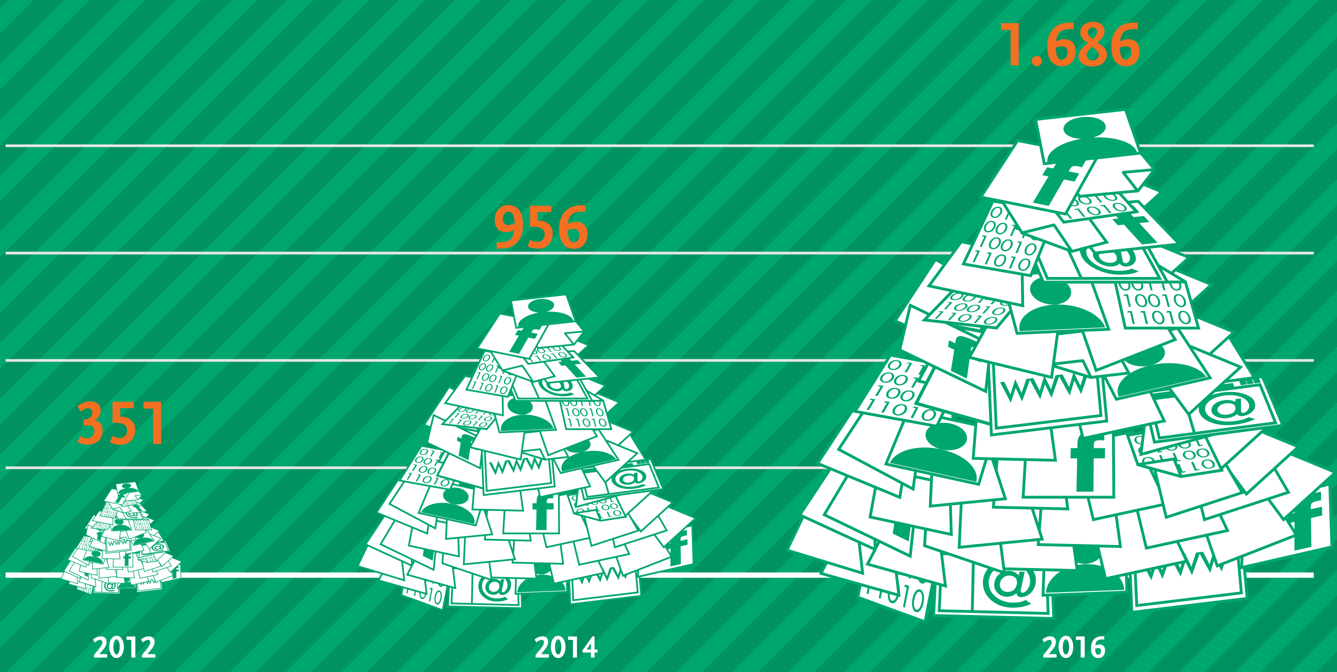
Jim Hagemann Snabe,
Co-CEO of SAP AG

Prepare and analyze large amounts of data in no time at all: in-memory computing technology enables companies to make quick decision based on well-founded data analyses, and provide innovative applications that offer a crucial competitive advantage in highly competitive markets. SAP has developed the SAP HANA solution for this purpose.

The implementation of this technology requires new expertise that was previously very hard to find on the market. This is why REALTECH invested very early in building up know-how and consulting solutions for in-memory computing. The IT service provider now clarifies with the customer whether and how they could benefit from using SAP HANA. Furthermore, as a member of the SAP HANA Council, REALTECH provides an extensive training program for SAP customers, ranging from platform operation to developing appropriate applications.

REALTECH's tried and tested theGuard! software now monitors SAP HANA and the necessary infrastructure for operating this solution. theGuard! thus ensures that the SAP application quickly provides KPIs relating to decision-making at all times. At the same time, the REALTECH product ensures that administrators can implement new applications in the overall organization securely and without technical difficulties. This allows companies to provide applications faster – and thus create clear competitive advantages.

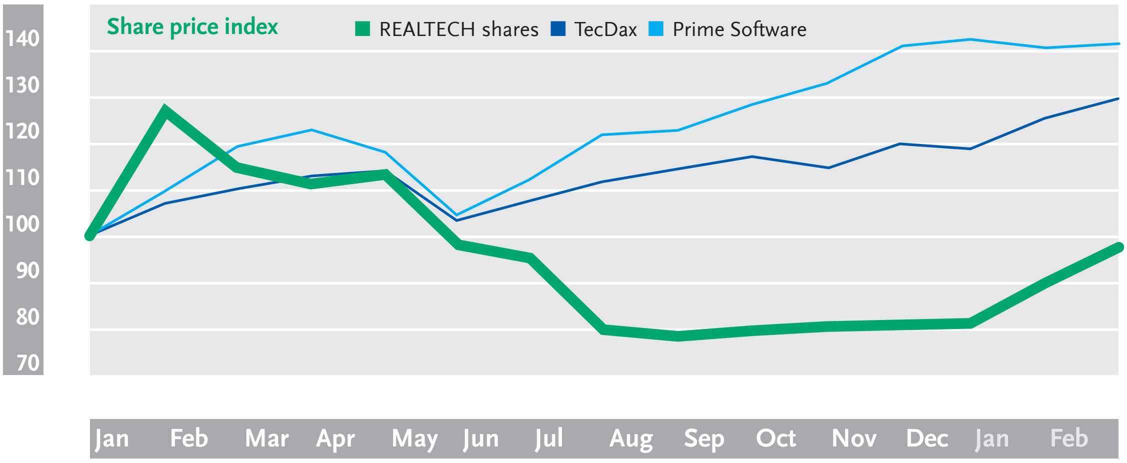
Market forecast for big data in Germany
(EUR million)



Source: BITKOM, Experton Group

3

Shares



The stock market in 2012

Stock market prices largely enjoyed an upward trend in 2012 due to good liquidity in the financial markets. Furthermore, the German stock market, in particular, reflected the fact that the domestic economy has escaped the effects of the euro debt crisis up to now. The German leading index DAX increased by 29.1 percent, while the Euro Stoxx 50 saw an increase of 13.8 percent. The TecDAX recorded an increase of 20.9 percent, while the MDAX even improved by 33.9 percent. In contrast, the most important stock market barometer worldwide, the Dow Jones index, rose by a comparatively moderate 7.3 percent. However, REALTECH shares were unable to profit from this positive environment and lost 10.4 percent. On the foreign exchange market, the euro rose slightly at the end of 2012 to 1.32 U.S. dollars, up from 1.30 U.S. dollars on December 31, 2011.

DAX to increase further in 2013

Analysts continue to be optimistic about the stock market in 2013, particularly with regard to the German stock market. Experts surveyed by the news agency Dow Jones anticipate the DAX to increase to around 7,800 points on average in the coming year. A factor driving this growth is said to be the robust economic situation in the emerging markets, with China and Brazil the main drivers. A survey by the news agency Reuters was even more optimistic according to the Handelsblatt newspaper: surveyed analysts see the DAX at 8,200 points at the end of the year. The experts also substantiate the increase with monetary indicators and the renewed growth of the central bank money supply. In a survey conducted by the investor magazine Börse Online, 19 analysts expect the DAX to reach 8,080 points on average, although none expect the DAX to lose points by the end of 2013.

Stock market prices largely enjoyed an upward trend in 2012 due to good liquidity in the financial markets. However, REALTECH shares were unable to profit from this positive environment and lost 10.4 percent.

Share performance and market capitalization

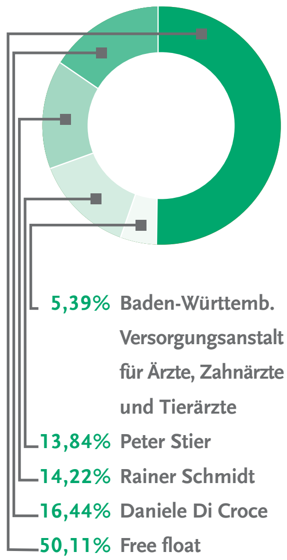
The REALTECH share began the year under review at EUR 5.02 (price at year-end closing) and climbed to an annual high of EUR 7.18 by January 27. From this point, doubt surrounding the financial strength of Spain and its banks, as well as political uncertainty in particular in Greece, put a strain on the European markets, so that the REALTECH share fell back to a low for the year of EUR 4.05 on July 27. In August, the share price recovered again to EUR 4.99, before fluctuating between EUR 4.11 and EUR 4.79 until the end of the year. REALTECH's shares closed 2012 at EUR 4.36.

On December 31, 2012, the company's market capitalization stood at EUR 23 million, which corresponded to 96 percent of book equity.

Shareholder structure and trading volume

REALTECH AG's shareholder structure remained unchanged in the course of the year under review compared to the end of the previous year: the Baden-WürttembergischeVersorgungsanstaltfürÄrzte, Zahnärzte und Tierärzte, based in Tübingen, held the reported 5.39 percent share of voting rights. Furthermore, the founders and major shareholders also continued to hold the same number of voting rights. REALTECH AG's diversified holding on December 31, 2012 was 50.11 percent, the same as at the end of the previous year.

The trading volume in the company's shares decreased significantly in 2012 year-on-year: the average number of the Group's shares being bought and sold each day decreased by 39 percent from 14,330 shares in 2011 to 8,732 shares in the year under review. In contrast to previous years, half of REALTECH shares (just over 50 percent compared to 81 percent in 2011) were traded via the electronic trading platform Xetra, while other stock markets accounted for the other half (2011: 19 percent).



Shareholder structure
(as of 31.12.2012)

Annual general meeting 2012

Around 200 shareholders and guests took part in REALTECH AG's 13th annual general meeting on May 22 in Wiesloch, to find out about the company's new strategy and outlook for the future. EUR 2,982,849 out of the company's share capital of EUR 5,385,652 was represented, which is equivalent to 55.39 percent (previous year: 51.22 percent). All the Board's resolutions were passed, with only a few votes against and a small number of abstentions. Among other things, the shareholders decided on the use of retained earnings from the 2011 fiscal year and the payment of a dividend of EUR 0.30 per share, formally approved the actions of the Executive Board and Supervisory Board, and appointed Deloitte & Touche GmbH, Mannheim as auditor and Group auditor for the 2012 fiscal year. Furthermore, the shareholders re-elected Daniele Di Croce, Rainer Schmidt and Peter Stier to the Supervisory Board of REALTECH AG with a large majority.

Open dialog with investors

REALTECH AG's investor relations activities in 2012 were again characterized by comprehensive, prompt and transparent communication with the public, institutional investors, private investors and analysts; exemplary dialog with existing and potential shareholders is a high priority of the company. For this reason, REALTECH has for many years also been an active member of the German investor relations association (DIRK), which sets standards for professional communication between listed companies and the capital market. The Directors and investor relations managers were also involved in a host of one-to-one discussions, to inform current and potential investors about the company's economic outlook. Furthermore, in the year under review, REALTECH again took part in shareholder forums and investor conferences, including the German Equity Forum in Frankfurt, Europe's largest investor fair. The company's investor relations website, which covers all key information in this area, also played an important role in dialog with investors.

Payment of dividends

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

Income in fiscal year 2012 was shaped particularly by the Group restructuring that began in 2011 and the expansion of the development and sales partnership with SAP. These measures required further investment in new products and technologies. REALTECH AG's retained earnings reached EUR 1,146 thousand in the year under review, after EUR 3,367 thousand in 2011.

Income in fiscal year 2012 was shaped particularly by the Group restructuring that began in 2011 and the expansion of the development and sales partnership with SAP. These measures required further investment in new products and technologies.

At the annual general meeting, scheduled to be held in Wiesloch, Germany, on May 16, 2013, the Executive and Supervisory Boards of REALTECH AG will propose to carry forward the net profit to a new account. The two committees passed these resolutions on February 28, 2013.

Key figures	2012 EUR	2011 EUR
Earnings per share	(0,04)	0,15
Cash flow per share	0,15	0,47
Equity per share	4,56	4,93
Highest share price	7,18	10,95
Lowest share price	4,05	4,89
Share price at year end	4,36	5,02
Market capitalization at year end	23 Mio.	27 Mio.
Number of shares at year end	5.385.982	5.385.652

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. 2012		
Issuer:	REALTECH AG	- treasury stock
Executive Board:	Dr. Rudolf Caspary	43.620 shares
	Thomas Mayerbacher	1.620 shares
Supervisory board:	Daniele Di Croce	885.500 shares
	Rainer Schmidt	765.500 shares
	Peter Stier	745.500 shares

Outlook

In 2012, the REALTECH share price did not yet reflect the potential that the strategic realignment and close partnership with SAP will open up to the company. However, the Executive Board and Supervisory Board expect the Group restructuring to make a big impact in 2013 and anticipate further successes. With this in mind, the REALTECH share is a promising option for institutional and private investors. The proven business model with the two important pillars of software and consulting, the future-oriented range of services, the motivated employees and the long-term strategic goals, make REALTECH a company with a promising outlook in the growth market for IT.

Executive Board and Supervisory Board expect the Group restructuring to make a big impact in 2013 and anticipate further successes. With this in mind, the REALTECH share is a promising option for institutional and private investors.

„Overall, REALTECH provides the most innovative and comprehensive solution available at a very competitive price.“

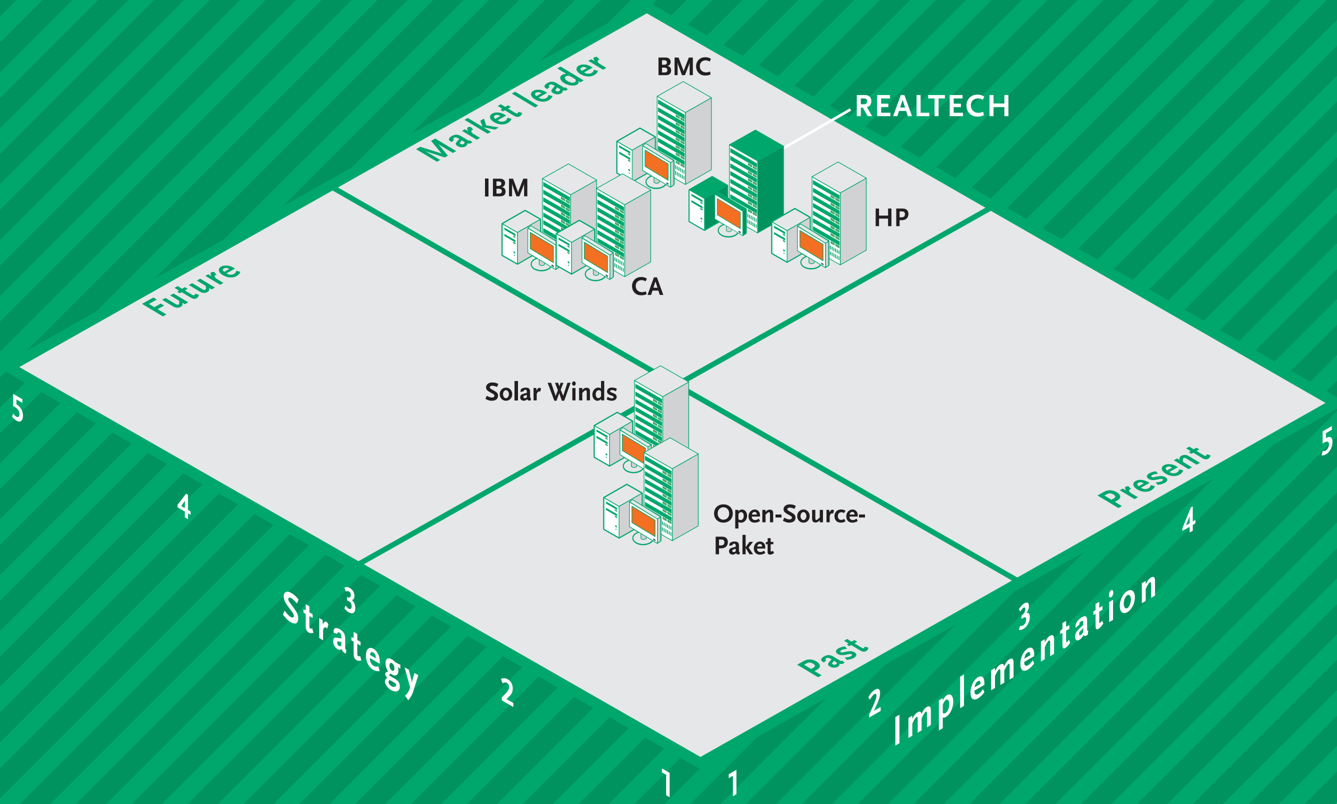
Dr. Thomas Mendel,
Research in Action GmbH

Research in Action has analyzed the leading provider of T service management solutions for SAP

In third place, and just behind HP, is Realtech. The company provides highly integrated, modular IT service management solutions, which can help to cut administration costs and configuration effort. Realtech stands out from the “big four” in particular because it has a centralized CMDB that allows customers to access all relevant information regarding a configuration item quickly and easily. The CMDB contains asset information about all hardware and software components within the company and in private clouds. It provides details regarding performance values, events and configuration statuses. The two-year roadmap also provides solutions for mobile management and public cloud management. SAP itself has licensed Realtech technology to enhance the functions of SAP Solution Manager.

Overall, REALTECH provides the most innovative and comprehensive solution available at a very competitive price. This raises the question as to why the company is not at the very top of the podium. There are two main reasons for this: scalability in the extremely large and heterogeneous environments of multinational groups has not yet been been proven, and market recognition has so far been relatively limited for sales of around EUR 40 million with approximately 350 employees. However, all signs point toward growth, resulting in a positive outlook for Realtech.

Comparison of IT service management tools for SAP



Source: Research in Action/Computerwoche

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Business Segments

IT CREATES ADDED VALUE

REALTECH designs future-proof IT environments and thus contributes to the economic success of our customers. 2012 again impressively demonstrated how new technologies play a role in changing people's private communications and information behavior as well as the processes at their workplaces. Mobile terminal equipment, such as smartphones and tablet PCs, has long become a permanent fixture for consumers and corporate IT. The arrival of cloud computing is also changing the way that users obtain their IT services, both privately and for business. Furthermore, big data and in-memory computing give companies new possibilities to analyze large quantities of data faster than before and, thus, to respond swiftly to fluctuations in demand or other market changes. REALTECH supports this change and designs intelligent solutions and effective IT strategies for its multinational customers, which are based on the latest technologies.

For many organizations, IT systems are the basis for a successful business strategy and also a key factor of production. An innovative software solution can help ensure that employees work much more efficiently. Furthermore, IT-supported processes encourage collaboration across sites, integrate external specialists into a company's own innovative processes, thereby increasing competitiveness. For those seeking to position themselves successfully in a global competitive environment with their products, it is therefore more important than ever that IT systems run smoothly.

However, the high complexity of modern IT landscapes in connection with requirements such as uninterrupted, round-the-clock availability push up the costs of running computer centers. 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, IT organizations are able to cut their costs significantly, while also increasing the quality and availability of the IT systems that they use.

Two business segments – Consulting and Software

With its highly specialized employees and market-leading products, REALTECH ensures that innovative IT solutions support the business goals of multinational customers in the best possible way. The REALTECH experts use new technologies, such as cloud computing, big data and mobile terminal equipment integrated into business processes, to create efficient IT landscapes for their customers.

With its highly specialized employees and market-leading 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 segments: strategic and technical consulting for IT infrastructures, with a focus on SAP and developing software products for IT service management. These services are based on the long-standing experience of the consultants and software specialists as well as their detailed knowledge of new technologies and organizational methods.

CONSULTING BUSINESS SEGMENT

Together with customers, our experienced consultants and motivated software specialists develop future-oriented and secure IT environments. At the same time, the REALTECH consultants have successfully positioned themselves as consulting partners for senior management in recent years, to implement IT strategies that directly support the higher-level business goals.

REALTECH provides consultancy services to companies with regard to developing IT systems that will provide them with a competitive edge over the global competition. The close partnership with SAP and the systematic professional training of the company's employees form the basis upon which REALTECH presents itself consistently in the market as an expert contact partner for current technology trends.

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 in future-oriented and technological topics, including SAP HANA, SAP Mobile and SAP Portals.

SOFTWARE BUSINESS SEGMENT

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.

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

Since 2012, selected components of theGuard! have become a permanent component of the "SAP IT Infrastructure Management" SAP product portfolio. Companies use this solution to monitor their entire SAP infrastructure, from the network through to applications. In 2012, SAP won its first customers from various industries for its infrastructure management application.

REALTECH began developing the new Timplify solution in 2012, which is being presented to initial customers in 2013. The product uses the latest cloud technologies and provides companies with innovative approaches and cost-cutting opportunities, to efficiently manage and operate the increasingly complex IT landscapes, including mobile terminal equipment. Central theGuard! components are also used in Timplify to give IT managers in companies of all sizes a 360-degree view of their IT infrastructure and make it easier to control costs.

CUSTOMERS AND MARKETS

Across the world, more than 2,200 customers representing all sizes and industries rely on REALTECH's consulting services and products. Customers who rely on REALTECH's solution expertise include Sony Pictures, John Deere, Triumph, Fujifilm, Munich RE, Zeiss, Stihl, Kimberly-Clark, Osram, Gardena, Capgemini and many more companies from a variety of industries.

REALTECH will market its theGuard! software solution abroad even more intensively in the future. The IT specialist has already established a regional distribution company for Scandinavia. Other European countries and regions in North America and Asia will be opened up through partners or existing and new operations.

REALTECH's strategy in the future will also be focused on picking up on current trends in the IT market at an early stage, comparing these with customers' requirements and implementing them in profitable consulting services and innovative products that produce measurable added value for companies.

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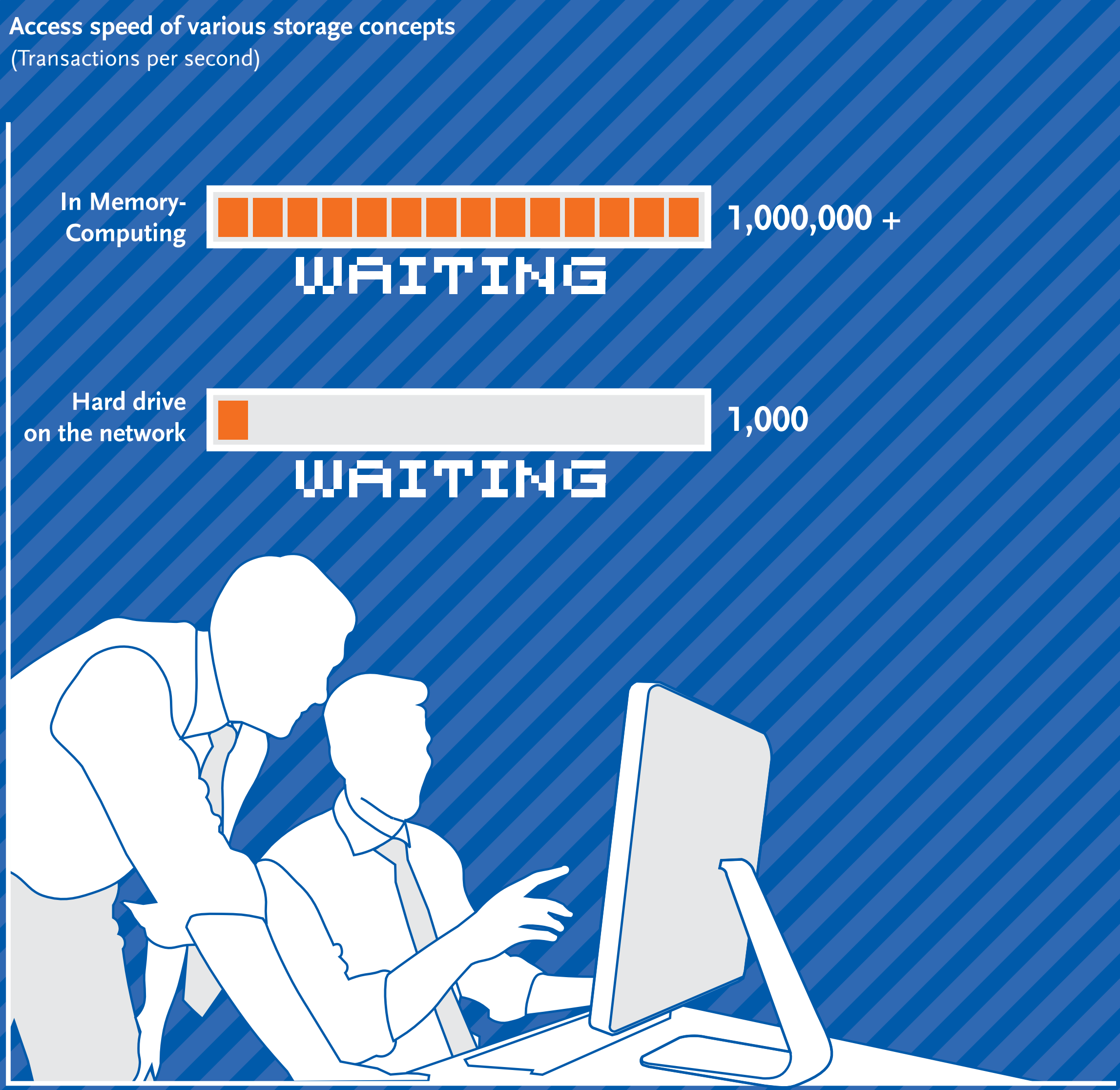
„I don’t want to stir up a witch hunt against traditional relational database systems, but they have simply become superfluous“

Hasso Plattner,
Co-founder and Chairman
of the Supervisory Board of SAP AG

REALTECH is shifting into turbo gear for the beverage manufacturer Frucor

Frucor, one of the largest beverage manufacturers in the Australasia region, has decided to operated its SAP NetWeaver Business Warehouse database solution with SAP HANA in the future. The benefits: reports and analyses can be prepared in a fraction of the time. In addition, requests are now possible from virtually any data source in real time, even for very large quantities of data. This allows the New Zealand-based company to respond better and more quickly to market changes.

As an on-site SAP partner, REALTECH provides support in implementing SAP HANA. Experts from both companies jointly integrate the new solution into Frucor’s cloud operating environment. REALTECH is responsible for database migration and then plans to take design and optimization measures for the SAP HANA installation. The project is one of the first SAP HANA implementation projects in New Zealand. “With SAP HANA, Frucor can promptly analyze huge quantities of detailed information and call up data from various sources in no time,” explains Joanne Hand, Managing Director at REALTECH New Zealand.



Source: COMPUTERWOCHE, 12.10.2012

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Group Management Report

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

I. 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 increased compared to the previous year due to the inclusion of REALTECH NORDIC ApS, Copenhagen, Denmark, which was established on January 2, 2012. In addition, GloBE technology GmbH, which belongs to the REALTECH Group, was renamed Timplify GmbH on November 21, 2012 and its headquarters moved from Walldorf to Karlsruhe.

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.

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 the future as part of its 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 available within the Group

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).

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. Committees also regularly examine issues relating to personnel, compliance, information technology 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.

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

The employees are one of the key pillars for REALTECH's business success. With their commitment and qualifications, they ensure day in, day out that REALTECH's main performance features include competence, quality and customer satisfaction.

The fact that the shortage of skilled workers in the IT industry has again worsened in 2012 shows how in demand good employees are at present. According to BITKOM, the German association for the industry, while there were 38,000 vacant posts for IT experts in Germany at the end of 2011, by Fall 2012, this had increased to 43,000. This means the number of vacant positions in the industry have more than doubled within three years. The companies surveyed by BITKOM continue to view the lack of skilled workers as a serious problem, with more than half of those surveyed stating that there is currently a shortage of IT specialists that will continue to worsen in the future. In the software and IT services sector alone, 15,000 positions are currently vacant.

The dynamics of the IT employment market was also reflected at REALTECH – some employees left the company in order to take on new tasks. However, REALTECH was able to recruit new employees to fill the vacant positions, although not in sufficient numbers.

REALTECH AG thus had a total of 346 employees on December 31, 2012, five percent more than at the end of 2011 (329). Of these employees, 257 worked in Germany, compared to 244 employees on December 31, 2011. This means that, as in the previous year, 74 percent of the company's employees work in Germany and 26 percent are based at REALTECH's international sites. In the year under review, fluctuation was 22 percent, compared to 21 percent in 2011.

Working at REALTECH

REALTECH is an attractive employer for consultants with a passion for technology and highly specialized software developers. At this company, they are given the opportunity to prove themselves through demanding projects from well-known companies. In the consulting segment, the focus is on SAP technology, in particular the latest trends of SAP HANA, cloud computing and the Group's mobile solutions. Meanwhile, the experts in the software segment concentrate on new technologies, the product partnership with SAP and further developing software for monitoring complex IT infrastructures. Further attractive employment opportunities can be found in sales and distribution and related areas.

From the employees' point of view, there are many points in REALTECH's favor – for example, an open and honest attitude combined with friendly collaboration ensures a good and relaxed working atmosphere. Contact within the company enhances the intensive communication among REALTECH employees, with training sessions, specialist groups, blogs and other information platforms, including with international colleagues, promoting the exchange of ideas. New employees always receive a professional induction and are requested to actively contribute their point of view from the very beginning. As a result, they have numerous opportunities to develop in accordance with their own individual talents. In order to bind its employees to REALTECH for as long as possible, the company offers appealing career paths and qualification opportunities.

Comprehensive vocational and further training

REALTECH ensures that its employees maintain a high level of qualifications through comprehensive and forward-looking vocational and further training. This includes methodical training and regular professional training sessions with a spectrum ranging from software-specific topics to project and risk management. The company's own STEP-IN training and further education program, set up in 2007, which provides future SAP consultants with both professional and social skills as well as teaching them important methods, continues to be successful – 20 new employees took part in 2012.

In addition, REALTECH makes use of classic vocational training and works together with the Baden-Württemberg Cooperative State University Karlsruhe to introduce young people to the company. For instance, during the year under review four students have started their dual studies in information management at a vocational college. Furthermore, REALTECH demonstrates commitment in the region in order to get children and teenagers interested in technology at an early stage and thus counteract the shortage of skilled workers over the long term – the company sponsored the "Kick & Science" project, during which eight to twelve year olds got to know the fundamentals of natural science over a period of three days.

Key forums for recruiting young talent in 2012 also included the world's biggest IT trade fair, CeBIT, in Hanover, Germany, as well as various university fairs. Furthermore, REALTECH introduced the vocational college study program and the opportunities for training within the company at the Walldorfer Nacht der Ausbildung (Walldorf Night of Training).

Training of further consultants planned

In 2013, REALTECH will continue its intensive personnel marketing and actively communicate its qualities as an employer in order to cover its requirements for qualified employees. Various in-house activities will again make a contribution to this; for example, in the summer, the company will be taking on the majority of those trainees who have completed their education. At the same time, REALTECH has advertised three new study places and two new training positions for 2013. Within the scope of the STEP-IN program, three courses are planned for training new SAP junior consultants. The success of this program also prompted REALTECH to add another STEP-UP program. This is aimed at experienced consultants who wish to progress to senior consultants.

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 as well as 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 industry standards.

An overview of the key innovations from the area of Research and Development:

In August 2012, REALTECH released a new version of the theGuard! Service Management Center 7.1 IT management software. Among other things, the solution provides extended status indications and new reports, which allow IT employees to see at a glance the condition of their company's hardware and software landscape even more intuitively and faster than previously. The new version also includes functions for managing virtual IT landscapes (private clouds) that are based on technologies from leading manufacturers, such as VMWare and Microsoft.

With the presentation of SAP Solution Manager 7.1 in mid-2012, SAP released an interface to the SAP IT Infrastructure Management solution. The SAP IT Infrastructure Management software uses components of the REALTECH theGuard! software. It is now even easier for companies to use these two SAP solutions together. By November 2012, SAP had already gained a large number of interested parties for SAP IT Infrastructure Management and will therefore continue to develop this application in the future. In line with SAP customer requirements, REALTECH is continuing to develop the theGuard! components used in this software as part of the existing sales partnership with SAP.

In December 2012, REALTECH concluded a partnership with the software provider Compuware. This collaboration is being used to further expand the functional scope of theGuard! products. For this purpose, the "Dyntrace Enterprise – Data Center Real-User Monitoring (DCRUM)" product from Compuware was integrated into REALTECH's own product range. The objective is, among other things, to automatically monitor the performance of business applications from the user's viewpoint and thus to increase the capability of corporate software in an even more targeted manner.

REALTECH released the first version of theGuard! SmartChange software in late 2012. The solution allows IT employees to securely and efficiently plan changes within large SAP application landscapes. Apart from planning, the focus is above all on analyzing, monitoring, documenting and distributing software changes. For this, existing REALTECH products, such as TransportManager, SyncAssist and ChangePilot, as well as the Code Profiler software from VirtualForge, were integrated so that users have key context-related information on the IT systems at hand for all processes.

The Supervisory Board and Executive Board decided in mid-2012 to increase investment in in-house software development. For this purpose, in November REALTECH renamed a 100 % subsidiary – Timplify GmbH, with its headquarters in Karlsruhe. Here, IT specialists are developing a completely new, unique cloud-based IT solution based on SAP HANA, which will allow more efficient control and monitoring of hardware and software systems on the basis of new concepts. As this solution is available as a license and subscription, we anticipate that it will receive greater market access.

Research and development expenses

Research and development expenses 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 probable.
- 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 these activation criteria have been fulfilled are not significant. Consequently, REALTECH records all research and development costs as expense at the time they occur.

In the 2012 fiscal year, investment in Research and Development (R&D) was EUR 4,364 thousand. Compared to the previous year (EUR 4,298 thousand) this expenditure rose by 2 percent. R&D activities as a share of total revenue remained at 11 percent. On December 31, 2012, the Group employed 54 people in the area of Research and Development at its Walldorf, Karlsruhe and Schweitenkirchen sites in Germany (previous year: 50 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

A focus of the future development work will be on continuous optimization of theGuard! products. In particular, the new theGuard! Service Management Center solutions and the components used in SAP IT Infrastructure Management will be continuously developed further in order to integrate new technologies, concepts and customer requirements. REALTECH is also working together with SAP on improving SAP IT Infrastructure Management and integrating this solution into the existing SAP technologies. The new Timplify solution (from August 2013 also at www.timplify.com) will be comprehensively integrated into the above products to provide customers with the full added value.

A partnership between REALTECH and the software provider Comparex in 2012 will allow IT departments to manage software licenses for PC workstations using theGuard! in future. For this purpose, the Comparex software solution DNA Profiler is to be integrated into theGuard!.

A further focus is on the development of the new Timplify product. REALTECH is planning to present the software for the cloud-based management of complex IT infrastructures in August 2013. The investments for this project are expected to reduce earnings for 2013 by EUR 500,000 while a significantly more positive contribution through sales of the license is expected as early as 2014.

The third focus is on product development relating to theGuard! SmartChange. REALTECH plans to extend the functionality of this software in order to expand additional analytical possibilities. In this manner, companies will be able to plan processes and workflows relating to changes to existing IT landscapes even more precisely and in greater detail.

II. EARNINGS, FINANCIAL SITUATION AND ASSETS

GENERAL ECONOMIC CONDITIONS

According to provisional calculations by the Federal Statistical Office in Germany, price-adjusted gross domestic product (GDP) in Germany rose by 0.7 percent in 2012. The statisticians explained that the German economy has proven resistant in a difficult economic environment and defied the European recession. Nevertheless, they stated that the economy weakened significantly in the second half of the year. However, the German federal government believes that this slowdown is a result of the weak development of the global economy and the crisis of confidence in the eurozone will only be temporary. In the course of 2013, growth is likely to increase again – mainly on the back of domestic demand. In view of these general economic conditions, the German Federal Ministry of Economics forecasts growth of just 0.4 percent for the German economy in 2013, before the economy sees stronger growth of 1.6 percent in 2014. The forecasts of economic researchers for German GDP growth in 2013 range from 0.3 to 1 percent.

In contrast, the forecast is better for the global economy: in the opinion of the International Monetary Fund (IMF), the global economy will grow by 3.5 percent in 2013. GDP in the U.S. is expected to increase by 2.0 percent and in China by 8.2 percent. The IMF experts anticipate a decline of 0.2 percent for the eurozone, with Italy (minus 1.0 percent) and Spain (minus 1.5 percent) said to be largely responsible for this. The German economy is forecast to grow by 0.6 percent. The IMF believes that, despite recent progress, there is still great uncertainty as to whether the debt crisis in the eurozone can finally be resolved. The World Bank also feels that it is too early to give the all-clear on the euro crisis, and expects GDP in the eurozone to decrease by 0.1 percent again in 2013. However, according to the World Bank, the global economy can expect growth of 2.4 percent.

The forecast for the IT industry in 2013 is significantly better than the outlook for the economy as a whole. The prestigious market research company IDC expects global IT expenditure to increase by 5.7 percent to 2.1 quadrillion US dollars. With an increase of almost 20 percent, the largest growth segment is said to be mobile devices (smartphones, tablets, eReaders). In regional terms, around half of the new growth is expected to be carried by the emerging economies. The Gartner market researchers cite the uncertainty surrounding the prospect of a global economic recovery as an impediment to growth, and anticipate an increase in global IT expenditure on hardware, software and services of 4.2 percent in 2013. The German association for the industry, BITKOM, forecasts growth of 1.6 percent to EUR 154.3 billion for the German ICT market in 2013. In this context, IT is forecast to grow by 3 percent to EUR 74.9 billion.

EARNINGS

Group business development

	2012 TEUR	2011 TEUR
Revenue	**39.838**	**39.178**
Gross profit	**18.090**	**16.945**
Selling and marketing expenses	(8.222)	(7.615)
Administration expenses	(5.438)	(4.974)
Research and development expenses	(4.364)	(4.298)
Other operating expenses	(972)	(935)
Other operating income	1.324	1.045
Operating profit	**418**	**168**
Finance income	92	(205)
Profit before tax from continuing operations	510	(38)
Income tax expenses	(474)	(172)
Profit for the year from continuing operations	36	(210)
Profit for the year from discontinued operations	0	1.109
Profit for the year	**36**	**899**
Profit attributable to: - Owners of the company	(206)	806
- Non-controlling interests	242	93

In fiscal year 2012, the REALTECH Group's **revenue** was EUR 39,838 thousand, 2 percent higher than in the previous year (EUR 39,178 thousand). Revenue is divided between the Consulting and Software business segments.

We primarily generate **Consulting revenue** through consulting for the development of future-oriented IT landscapes, the failsafe operation of SAP systems, the integration of international customer sites into comprehensive IT landscapes or the migration of databases and operating systems to new platforms. Revenue for the Consulting business segment rose by 4 percent from EUR 26,434 thousand to EUR 27,560 thousand, which was due in particular to improved capacity utilization, including in the higher-order topic areas. Consulting contributed 69 percent (previous year: 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. The Software business segment generated revenues of EUR 12,278 thousand, which was 4 percent less than for the previous year (EUR 12,744 thousand). Software's share of total revenue fell from 33 percent to 31 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. Cost of sales also includes expenditure for third-party products that we integrate into our software (trading goods). In the year under review, the cost of sales increased by 2 percent from EUR 22,233 thousand to EUR 21,748 thousand. Based on revenue, the figure fell from 57 percent to 55 percent.

Gross profit improved by seven percent, from EUR 16,945 thousand to EUR 18,090 thousand, chiefly as a result of increased capacity utilization among our consulting experts in comparison to the previous year. The value of this figure as a percentage of revenue rose from 43 percent to 45 percent.

Selling and marketing expenses primarily consist of personnel expenses for direct sales and expenditure for marketing activities to support sales. The selling and marketing expenses increased by 8 percent to EUR 8,222 thousand (previous year: EUR 7,615 thousand) and represented 21 percent of revenue (previous year: 19 percent). This increase was primarily the result of the expansion of our sales team and marketing activities related to the intensification of our collaboration with SAP, as well as the greater geographical area of our target market.

Administrative expenses chiefly comprise personnel expenses in support of our financial and administrative roles as well as expenditure on our infrastructure. The administrative expenses rose 9 percent from EUR 4,974 thousand to EUR 5,438 thousand. As a percentage of total revenue, this figure thus increased from 13 percent to 14 percent. The reasons of this can essentially be attributed to investment in the IT environment and more extensive activities to recruit personnel.

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 expenditure for the hardware and software used in the course of our research and development activities. In the year under review, REALTECH invested EUR 4,364 thousand in research and development. This represents an increase of 2 percent compared with the previous year's figure of EUR 4,298 thousand. As a proportion of revenue, these expenses remained stable at 11 percent.

Other operating expenses rose by 4 percent from EUR 935 thousand to EUR 972 thousand. They are made up for the most part of expenses from operating lease agreements as well as exchange rate losses. The increase can essentially be attributed to a settlement to end a legal dispute started in previous years. Other operating income essentially comprises rental income from the use of the office building in Walldorf by third parties. They climbed by 40 percent from EUR 1,045 thousand to EUR 1,324 thousand. This can be attributed to full rental occupation of the office building in the year under review, whereas it had been vacant at times during the previous year.

Operating profit (EBIT) improved in the 2012 fiscal year to EUR 418 thousand (previous year: EUR 168 thousand), thus increasing the operational margin from 0 percent to 1 percent. The EBITDA rose by 17 percent from EUR 1,406 thousand to EUR 1,648 thousand. Here the increase in the gross profit from revenue of EUR 1,146 thousand compares with an increase in operational costs of EUR 1,174 thousand, which can be attributed to the investment undertaken. During the same period other operating income improved by EUR 278.

Segment income in consulting rose by 153 percent from EUR 773 thousand to EUR 1,953 thousand. The operational margin amounted to 7 percent (previous year: 3 percent). Improvement in segment income can be attributed, in particular, to the considerable increase in capacity utilization of the consultants at REALTECH Japan. In contrast, **segment income in software** fell from EUR 1,689 thousand to minus EUR 1 thousand. The operational margin was therefore zero percent, compared with 13 percent in the previous year. This can be attributed, firstly, to lower software sales compared to the previous year but primarily to the investment in R&D.

The **financial income** was EUR 92 thousand, having been minus EUR 205 thousand in the previous year. This is made up of interest income and interest expenses. The interest income of EUR 416 thousand (previous year: EUR 155 thousand) was primarily a result of loans and other financial receivables (cash and cash equivalents). This increase was primarily due to the special effect resulting from improved interest conditions in relation to finance leasing. The interest expenses of EUR 324 thousand (previous year: EUR 360 thousand) mostly comprised financial liabilities. The fall compared with the previous year was primarily a consequence of improved interest conditions for finance leasing.

As a result of the stronger earnings situation in the year under review, the **income tax expenses** rose from EUR 173 thousand to EUR 474 thousand. This figure is composed of the actual tax expense of EUR 652 thousand (previous year: EUR 509 thousand) and the deferred tax income of EUR 178 thousand (previous year: EUR 336 thousand).

Income from discontinued operations was EUR 0 thousand after EUR 1,109 thousand during the 2011 fiscal year. The previous year's figure was affected by the disposal of the 100 percent holding in REALTECH System Consulting S. L., Spain in June 2011. It includes the profit for the year from 2011 of EUR 135 thousand and the income from deconsolidation of REALTECH Spain, amounting to minus EUR 386 thousand. In addition, the previous year 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 100 percent interest in REALTECH Italia S.p.A. was sold in December 2010, as part of a management buy-out.

The **profit for the year** fell accordingly from EUR 899 thousand to EUR 36 thousand. Although income from operations and the financial income improved, this is a result of the increased income tax expenses and income from discontinued operations of EUR 0 thousand compared to EUR 1,109 thousand in the previous year.

The annual net income due to parent company shareholders fell from EUR 806 thousand to minus EUR 206 thousand. In contrast, the annual net income due to non-controlling shareholders improved from EUR 93 thousand to EUR 242 thousand.

Based on the average number of 5,385,652 shares, this amounts to **earnings per share** of minus EUR 0.04 (previous year: minus EUR 0.15 at 5,367,402 shares) for parent company shareholders.

Business development in the various regions

We divide our operating activities into the following four regions: Germany, Portugal and Nordic, 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 2012, the regions recorded differing revenue developments – in **Germany**, revenue was five percent down on the previous year at EUR 26,211 thousand (EUR 27,668 thousand). This means that 66 percent (previous year: 71 percent) of the Group's revenue was generated in Germany. REALTECH revenue generated abroad amounted to EUR 13,627 thousand (previous year: EUR 11,510 thousand). The share of total revenue was 34 percent (previous year: 29 percent).

In **Portugal and Nordic**, the subsidiary's revenue fell by 55 percent from EUR 1,285 thousand to EUR 583 thousand. This region's contribution towards Group revenue decreased from 3 percent to 1 percent. In the **USA** the subsidiary generated revenue of EUR 2,646 thousand after EUR 2,811 thousand in the previous year (minus 6 percent), although this region's share of Group revenue remained unchanged at 7 percent. In contrast, revenues in the **Asia-Pacific** region climbed by 40 percent from EUR 7,414 thousand to EUR 10,398 thousand. This region's contribution towards Group revenue increased from 19 percent to 26 percent.

The development of income thus varied in the individual regions: In **Germany**, the gross profit improved by 2 percent and the gross margin increased from 47 percent to 50 percent. Selling and marketing expenses fell by EUR 356 thousand or 6 percent, whereas administrative expenses rose by EUR 750 thousand or 24 percent. Research and development costs fell by EUR 195 thousand or 5 percent. Parallel to this, other operating income rose as a result of full occupancy by tenants of the second office building since January 1, 2012, whereas in the previous year only partial rental was possible. In summary, income from operations of the German REALTECH companies fell from minus EUR 364 thousand to minus EUR 438 thousand.

Income from operations achieved by the region **Portugal and Nordic** improved from minus EUR 120 thousand to EUR 65 thousand. This change can primarily be attributed to the lower expenses in Portugal, as compared to the previous year. After experiencing positive development in previous years, income from operations in the **USA** region fell to minus EUR 345 thousand (previous year: EUR 119 thousand). This was caused by lower capacity utilization of consultants during the year under review and the expenditure incurred as a result of a legal dispute. In contrast, the **Asia-Pacific** region managed to increase EBIT by EUR 1,029 thousand to EUR 1,273 thousand (previous year: EUR 244 thousand). In New Zealand EBIT rose from minus EUR 85 thousand to EUR 233 thousand and Singapore improved from minus EUR 67 thousand to EUR 13 thousand.

FINANCIAL SITUATION AND ASSETS

Consolidated balance sheet structure

	31.12.2012 TEUR	31.12.2011 TEUR
ASSETS		
Total current assets	28.173	28.037
Total non-current assets	21.503	21.978
Total assets	49.676	50.015
LIABILITIES AND EQUITY		
Total current liabilities	18.520	16.481
Total non-current liabilities	6.570	6.985
Total liabilities	25.091	23.466
Total equity	24.586	26.549
Total liabilities and equity	49.676	50.015

Compared with the figure for the same day in the previous year, the **total assets** fell by 1 percent, from EUR 50,015 thousand to EUR 49,676 thousand. Apart from minor contradictory developments, the reduction in cash and cash equivalents and bank balances combined with a smaller rise in trade receivables on the other hand, was responsible for this development. The equity ratio fell from 53.1 percent to 49.5 percent. Equity capitalization continues to form a sound basis for realizing future growth targets.

On the balance sheet date, the REALTECH Group had **cash and cash equivalents** of EUR 11,257 thousand (previous year: EUR 13,220 thousand).

Investment and financing

The cash flow statement can be summarized as follows:

	2012 TEUR	2011 TEUR
Net cash flows from operating activities	793	2.545
Net cash flows from investing activities	(520)	4.331
Net cash flows from financing activities	(2.079)	(50)
Effects of exchange rate changes	(157)	33
Net increase/decrease in cash and cash equivalents	(1.963)	6.859
Cash and cash equivalents at the beginning of the fiscal year	13.220	6.361
Cash and cash equivalents at the end of the fiscal year	11.257	13.220

In the year under review the REALTECH Group reported **cash flow from operating activities** of EUR 793 thousand (previous year: EUR 2,545 thousand). Based on a decreased annual net income, the lower cash flow despite several contradictory influences can essentially be attributed to the higher trade receivables.

The **cash flow from investing activities** saw cash flow of EUR 4,331 thousand, in particular as a result of the disposal of the Spanish subsidiary and the repayment of loans by the former subsidiaries in Spain and Italy. In contrast, in the year under review there was a cash flow from investment activities of EUR 520 thousand. This is composed of payments following the acquisition of intangible assets and property, plant and equipment for EUR 964 thousand and a cash inflow from loan repayment by the former subsidiary REALTECH Italia of EUR 444 thousand.

The **cash flow from financing activities** rose from a cash outflow of EUR 50 thousand to a cash outflow of EUR 2,079 thousand, primarily due to 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 headquartered 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 condensed income statement

	2012 TEUR	2011 TEUR
Other operating income	309	3.803
Personnel expenses	(600)	(1.317)
Depreciation of intangible assets and of property, plant and equipment	(10)	(7)
Other operating expenses	(1.040)	(1.177)
Income from investments	633	1.968
Interest income	147	143
Interest expenses	(5)	(6)
Income before interest and taxes	**(566)**	**3.407**
Income taxes	(40)	(40)
Net loss/net icome	**(606)**	**3.367**
Retained profits brought forward from the previous year	1.752	0
Retained earnings	**1.146**	**3.367**

Earnings of REALTECH AG

Other operating expenses decreased from EUR 3,803 thousand to EUR 309 thousand. In the year under review it specifically included the writing up of an adjusted loan to REALTECH Portugal from 2004, which was fully repaid in fiscal year 2012. In the previous year it essentially resulted from the sale of REALTECH Spain for EUR 2,396 thousand and the writing up of a demand arising from a loan agreement to REALTECH Italy, adjusted in 2010, for EUR 1,360 thousand.

The **personnel expenses** were primarily determined by Executive Board remuneration. These are presented in more detail in the section of the remuneration report covering the total remuneration of the Executive Board. In particular, the previous year contains the effects of the personnel changes in the Executive Board.

Other operating expenses decreased from EUR 1,177 thousand to EUR 1,040 thousand. This can primarily be attributed to the lower cost of legal advice, which was incurred during the previous year, in particular as a result of the sale of REALTECH Spain.

Income from investments decreased by EUR 1,335 thousand to EUR 633 thousand. This was essentially due to the net income of the German subsidiaries in 2012. Income from investments also contains dividends of REALTECH Japan (EUR 213 thousand), REALTECH New Zealand (EUR 159 thousand) and REALTECH Portugal (EUR 250 thousand).

In the year under review, the holding recorded a **net loss** of EUR 606 thousand (net income in previous year: EUR 3,367 thousand). Due to the dividend payment of EUR 1,615 thousand, the profit carried forward is EUR 1,753 thousand. **Retained earnings** as at December 31, 2012 was therefore EUR 1,146 thousand.

REALTECH AG balance sheet structure

	31.12.2012 TEUR	31.12.2011 TEUR
Non-current assets		
Intangible assets	53	10
Property, plant and equipment	10	12
Financial assets	26.488	26.769
Current assets		
Receivables from affiliated companies	9.343	14.772
Other assets	794	466
Cash and cash equivalents	8.053	10.324
Prepaid expenses	12	19
Total assets	**44.753**	**52.372**
Equity		
Share capital	5.386	5.386
Additional paid-in capital	33.232	33.232
Retained earnings	1.146	3.367
Provisions		
Tax provisions	990	950
Other provisions	428	703
Liabilities		
Trade payables	57	31
Liabilities to affiliated companies	3.227	8.439
Other liabilities	287	264
Total liabilities and equity	**44.753**	**52.372**

Financial situation and assets of REALTECH AG

During the 2012 fiscal year the **financial investments** decreased by EUR 281 thousand to EUR 26,488 thousand. This can essentially be attributed to the planned repayment of a loan to REALTECH Italy for EUR 427 thousand and the full repayment of the loan to REALTECH Portugal. In addition, a loan was made to REALTECH Nordic for EUR 300 thousand.

The **claims on associates** reduced by EUR 5,429 thousand and the **liabilities to associates** by EUR 5,212 thousand. The background for this was the offsetting of receivables and liabilities against the corresponding associates.

This was primarily responsible for the reduction in **total assets** of 15 percent to EUR 44,753 thousand. The **equity ratio** therefore rose from 80.2 percent to 88.9 percent as at December 31, 2012 compared to the same date the previous year.

Other provisions fell to EUR 428 thousand (previous year: EUR 703 thousand) as a result of scheduled severance payments.

REALTECH AG employed an average of 3 people (previous year: 2).

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

	2012 TEUR	2011 TEUR
Net cash flows from operating activities	(1.099)	1.888
Net cash flows from investing activities	443	5.787
Net cash flows from financing activities	(1.615)	214
Change in cash funds from cash-relevant transactions	(2.271)	7.889
Cash and cash equivalents at the beginning of the period	10.324	2.435
Cash and cash equivalents at the end of the period	8.053	10.324

In fiscal year 2012, REALTECH AG achieved a **cash flow from operating activities** representing a cash outflow of EUR 1,099 thousand (previous year: a cash inflow of EUR 1,888 thousand). This development was primarily due to the net loss of EUR 606 thousand (previous year: net profit for the year of EUR 3,367 thousand).

In 2012 the **net cash flow from investing activities** (cash inflow of EUR 443 thousand) was essentially determined by the loan repayments of REALTECH Portugal and the former subsidiary in Italy. A new loan (EUR 300 thousand) was given to REALTECH Nordic. In the previous year (cash inflow of EUR 5,787 thousand) the sale of shares to REALTECH Spain and the repayment of the loans by REALTECH Spain and REALTECH Italy in particular adversely affected cashflow.

The **cash flow from financing activities** changed from a cash inflow of EUR 214 thousand to a cash outflow of EUR 1,615 thousand, primarily due to 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 report.

Based on the investments made in recent years, which relate to the sales agreement with SAP and began to bear fruit in 2012, REALTECH AG is expecting an improvement in the income situation and sharply higher revenues in the Group for 2013. As a result of REALTECH AG's interrelationship with the Group subsidiaries, we also refer to our statements in the Forecast report section, which also largely reflect our expectations for the parent company.

APPROPRIATION OF INCOME

REALTECH AG's annual financial statements form the basis for the resolution to be passed during the General Meeting on the appropriation of income. The net profit recorded by REALTECH AG in the year under review was EUR 1,146 thousand, following EUR 3,367 thousand in 2011. The Executive and Supervisory Boards of REALTECH AG will propose to the General Meeting to carry forward the net profit to a new account. The two committees passed these resolutions on February 28, 2013.

III. 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.

IV. 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.

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.

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. 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 2012, the business environment in which the REALTECH Group was operating was again influenced by the uncertainties surrounding the global economy, which were triggered largely by the continuing sovereign debt crisis in the eurozone. This was reflected in customers' reluctance to invest combined with price pressure on the market for information technology. In their autumn assessments, the leading economic research institutes halved their forecasts for German economic growth in 2013 to one percent. The consequences of the US budgetary problems for the international economy can also not yet be predicted, despite the political compromise at the end of 2012. Late receipt of payments, uncollectible receivables and the possibility of customers and business partners becoming insolvent may therefore also affect the Group's development in 2013.

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 almost 20 countries worldwide. Business activities in these countries are associated with the usual risks involved in international activities. As specified above, these risks include in particular the general economic or political situation of individual countries, interaction between different tax systems, and legal hurdles such as import and export restrictions, legal regulations governing the use of the Internet, and guidelines for the development or provision of software and services. For the majority of important target markets, in particular the markets in the EU, the Group considers these risks to be unlikely to take effect and believes their consequences to be minimal, thanks to the high level of convergence of legal regulations and tax code.

Market risks

In the IT industry, the trend for market participants to acquire new skills through acquisitions continues. The consequence is mergers and acquisitions that could lead to increased competition due to new or stronger competitors.

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 continuing competitive pressure – 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

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 and on the company's equity. 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, 2012, our net liquidity was EUR 11.3 million (December 31, 2011: EUR 13.2 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.

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.

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 and, in particular, be detrimental to the value of goodwill and investments.

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. Other potential risks are 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 are 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.

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.

V. FORECAST REPORT

The high-tech sector is starting 2013 on an optimistic note. According to a study carried out on behalf of BITKOM (the German association for the industry), 75 percent of IT and telecommunications companies are expecting revenues to increase during the first six months of the year. A further 14 percent are expecting revenues to be maintained at the same level as for the previous year. The survey showed that software houses are particularly optimistic, with 87 percent expecting higher revenues, and IT service providers are also positive (82 percent). According to BITKOM, the ongoing boom in mobile solutions and continued high demand for cloud computing are increasing revenues in these segments. The expectations of the high-tech sector are similarly hopeful for the whole of 2013: according to the survey, 78 percent of companies are expecting higher revenues and only 7 percent believe that revenues will fall.

Against the backdrop of this positive environment, REALTECH AG's strategy for 2013 is to continue to invest in software development and technological innovation but also to increase staff numbers and develop their skills. In spite of these investments in the future, REALTECH is expecting to see positive growth in both the Software and Consulting divisions during the current year.

This is based on the optimized range of services relating to strategic and technological consultancy for IT applications and infrastructures, focusing on SAP and the development of software products for IT service management. A major part of REALTECH's growth strategy relates to customer projects based on innovative SAP solutions such as SAP Mobile, Cloud Computing, SAP HANA and SAP Solution Manager.

REALTECH is concentrating its software sales and consulting services on selected regions and customer segments. Sales activities are focused on countries and markets with strong growth and sales potential; in addition to Germany, Austria and Switzerland the main focus is, for instance, on northern Europe and the USA, the aim being to increase revenues and profits.

The close cooperation with partners – in particular with SAP – remains a high priority for REALTECH. By cooperating in this way the company aims to increase its market cover and extend the portfolio of solutions. Through these partnerships REALTECH is in a position to offer its customers even greater economic benefits based on the latest technologies.

REALTECH's strategy involves taking up current trends in the field of information technology at an early stage and using these to design effective consultancy services and new software solutions, which will create noticeable added value for customers through IT.

In addition to this, REALTECH is endeavoring to collaborate with universities and research institutes in order to develop the company into a leading specialist in the field of cloud computing and in-memory databases based on SAP HANA. The Executive Board believes that the future of the IT market will lie in this segment. REALTECH will present the new Timplify solution in the course of the current year. This IT management software with a completely new concept uses both current cloud technologies and SAP HANA so that companies can manage and operate their ever larger IT landscapes and the growing number of devices – including mobile devices – more efficiently.

Outlook

In 2013 REALTECH is planning to increase revenues and earnings substantially, compared to 2012. The Executive Board is expecting revenues of EUR 47.9 million and income from operations (EBIT) of EUR 2.1 million in the current 2013 fiscal year. It is intended that the Consulting segment will contribute EUR 30.5 million to these revenues and the Software segment will contribute EUR 17.4 million. The EBIT figure is expected to be made up of EUR 2.5 million from Consulting and EUR 1.2 million from Software, with costs of EUR 1.6 million that cannot be directly attributed (other segment).

On this basis it is planned that earnings will rise to EUR 52.2 million and EBIT to EUR 3.7 million in 2014. The Consulting segment is expected to contribute revenues of EUR 32.7 million and EBIT of EUR 2.9 million. The Software segment is to contribute earnings of EUR 19.5 million with an EBIT of EUR 2.7 million. Costs that cannot be directly allocated (other segment) are forecast to be EUR 1.9 million.

In particular, a more powerful SAP distribution channel for theGuard! software and the successful positioning of new consulting topics on the market will help to reach these targets. Investments in the Timplify project, which will contribute around EUR 2.5 million over the next three years, are included in the plans. The capital spending planned for fiscal years 2013 and 2014 is intended to be covered from operational cash flow.

Our forecasts include all known events up to the time this report was compiled, which may have an influence on the development of the REALTECH Group‘s business.

As a holding company, REALTECH AG receives its profits from interest income and primarily investment income, which its subsidiaries pay to the holding company through profit transfer or dividends. Movements in REALTECH AG‘s income is therefore closely linked to the development of the subsidiaries‘ operational business both in Germany and abroad. We are consequently expecting that the assumed increase in the operating income (EBIT) for 2013 and 2014 will also result in comparable positive growth in EBIT at REALTECH AG.

REALTECH AG’s dividend policy will continue to focus 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. In view of the current situation, which is marked by the comparatively high investments in 2012 and 2013, the Executive Board of REALTECH AG, together with the Supervisory Board, will propose at the General Meeting that the net profit as at December 31, 2012 be carried forward to the new account. The aim of the company remains to continue to implement the dividend policy defined above.

VI. 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 Group 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 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 91, 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.

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.

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.

VII. NOTES ON MATTERS RELATING TO ACQUISITIONS

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 (2012). 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 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 annual general meeting of May 21, 2010, in accordance with Section 71, paragraph 1, point 8 of the German 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 offer to all shareholders or a public invitation to submit such an offer; here, the shareholders' pre-emptive 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 annual 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.

VIII. 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 about the corporate governance of REALTECH AG in accordance with Item 3.10 of the German Corporate Governance Code.

DECLARATION ON THE MANAGEMENT OF THE COMPANY

Declaration of compliance 2012

In November 2012, 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 dated May 26, 2010 since its last declaration of compliance was made and that it has complied with the version dated May 15, 2012 since it came into effect and will continue to comply with this version. This applies subject to the exceptions listed below:

The Supervisory Board has not formed any expert committees and will not form such committees, above all no auditing and nomination committees (5.3.1, 5.3.2 and 5.3.3 of the Code).

Reason: The company’s Supervisory Board is made up of only three members, in accordance with its Articles of Association. Due to the limited size of the Supervisory Board, it would not be useful to form a committee.

The Supervisory Board has not stated and will not state any concrete objectives regarding its composition that, taking account of the company-specific situation, consider the company‘s international activities, potential conflicts of interest, the number of independent members of the Supervisory Board in the sense of Code Item 5.4.2 and diversity and, in particular, which provide for an appropriate quota of women (Code Item 5.4.1 Paragraph 2). Relevant objects have not and will not be taken into account for nominations for election to the Supervisory Board at the Annual General Meeting 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. It also considers that it has an appropriate number of independent members. Furthermore, the Supervisory Board deems commitment to the criteria specified by the Code as inappropriate, because the professional and personal qualifications of its members take priority. As such objectives have not been defined, they have not been and are not taken into account for election nominations and the status of implementation was and will not be published in the Corporate Governance Report.

The Supervisory Board included and includes more than two former members of the Executive Board (Item 5.4.2, Sentence 3 of the Code).

Reason: The recommendation of the Code does not differentiate according to how long ago a member of the Supervisory Board and former member of the Executive Board left the Executive Board. The current members of the Supervisory Board left the company’s Executive Board between 2001 and 2004. We believe that a rule of this kind is too undifferentiated and, due to the loss of valuable expertise, would restrict the rights of shareholders to vote for members of the Supervisory Board in a manner that is not appropriate for our company.

In Item 5.4.6, paragraph 2, the Code (2010 version) states that members of the Supervisory Board should receive performance-related remuneration in addition to their fixed remuneration. Due to a change to the Articles of Association as per the resolution of the General Meeting on May 22, 2012, the members of the Supervisory Board of REALTECH AG receive fixed remuneration only, with effect from January 1, 2012. In this respect, the company deviated from the recommendation in Item 5.4.6, Paragraph 2 of the Code (2010 version) from January 1, 2012 to the effective date of the new version of the Code (2012 version). As this recommendation is no longer included in the new version of the Code (2012 version), REALTECH AG has thus no longer deviated in this respect since the new version of the Code came into effect (2012 version).

Reason: In our opinion, fixed remuneration only is more suitable with regard to the supervisory function of the Supervisory Board, which is to be performed independently of the company's success.

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

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, November 15, 2012

For the Supervisory Board of REALTECH AG

Signed, Daniele Di Croce

For the Executive Board of REALTECH AG

Signed, Dr. Rudolf Caspary
Signed, Thomas Mayerbacher"

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 Risk report section above) 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 of compliance. 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 take this into account.

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 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 2012 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, 2012 to July 31, 2012, the Executive Board comprised two members. Duties are shared between the members of the Executive Board and these are set out in a plan assigning business responsibilities. The Executive Board passes resolutions by simple majority of those members voting on the resolution. If there is a tie in the number of votes cast, the proposed resolution is submitted to the Chairman of the Supervisory Board with a request to mediate.
REALTECH AG's Supervisory Board is made up of three members, who are all elected by the General Meeting. The Supervisory Board elects from its members a Chairman and a Deputy Chairman. The members of the Supervisory Board are elected for a term of office up to the end of the General Meeting, which formally approves the actions of company management for the fourth fiscal year after the start of the members' terms of office. The fiscal year in which the term of office begins is not counted. At the present time, REALTECH AG's Supervisory Board is made up of three members who were previously members of the Executive Board. The term of office of the Supervisory Board members ends with the conclusion of the General Meeting at which formal approval is given for the directors' actions during the fiscal year ending on December 31, 2016.

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 2012

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 is reached in a calendar year. In fiscal year 2012, REALTECH AG was required to report the following transactions.

	Dr. Rudolf Caspary, Executive Board		
Stock exchange	10.04.2012 Frankfurt	11.09.2012 Frankfurt	13.09.2012 Frankfurt
Name of the financial Instrument	Shares	Shares	Shares
ISIN	DE0007008906	DE0007008906	DE0007008906
Price (EUR)	6,04	4,20	4,30
Number	3.500	150	3.650
Transaction volumes (EUR)	21.140,00	630,00	15.695,00
Explanation	Purchase of shares	Purchase of shares	Purchase of shares

Shareholding in the Executive and Supervisory Boards

The number of shares held directly or indirectly (as defined by Section 15a of the German Securities Trading Law – WpHG) by members of the Executive 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, 2012	As a % of the issued shares
Dr. Rudolf Caspary	43.620	0,81
Thomas Mayerbacher	1.620	0,03
	45.240	**0,84**

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, 2012	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.

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, Executive Board remuneration consists of a variable performance-based component. 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

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, is also used at Executive Board level.

In view of the obligation to invest part of the variable remuneration in the company's shares and to hold these for a minimum of three years, the Supervisory Board considers that this provides the members of the Executive Board with sufficient incentive to achieve a good performance for the company in the long term. The obligation to purchase the company's shares therefore supersedes the discontinued convertible bond scheme. It is also considerably easier to operate and the associated administrative expenses 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 2012

Remuneration received by the Executive Board in fiscal year 2012 totaled EUR 382 thousand (compared to EUR 760 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 382 thousand (previous year: EUR 535 thousand), while variable remuneration totaled EUR 0 thousand (previous year: EUR 204 thousand). Share-based remuneration was EUR 0 thousand (previous year: EUR 21 thousand). As in the previous year, no options were granted in fiscal year 2012.

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	31.12.2012			31.12.2011		
	Fixed component	Variable component	Share-based component	Fixed component	Variable component	Share-based component
Dr. Rudolf Caspary	215	0	0	205	102	16
Thomas Mayerbacher	167	0	0	166	0	5
Nicola Glowinski (until 31.07.2011)	0	0	0	164	102	0
	382	**0**	**0**	**382**	**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 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 2012, severance payments paid to Nicola Glowinski amounted to EUR 269 thousand.

Remuneration of the Supervisory Board members

According to Section 11 of the company's Articles of Association, since the 2012 fiscal year each Supervisory Board member receives fixed annual remuneration of EUR 15 thousand. The Chairman of the Supervisory Board receives annual remuneration of EUR 25 thousand. The financial expert in the sense of Section 100, Paragraph 5 of the German Stock Corporation Act (AktG) receives an additional EUR 5 thousand per year. In addition to this, the members of the Supervisory Board receive a fee of EUR 1,500 each time they attend a Supervisory Board meeting. In addition, each Supervisory Board member receives reimbursement for any proven expenses and any value added tax.

No performance-related remuneration is paid (previous year: EUR 0 thousand).

Remuneration received by the Supervisory Board in fiscal year 2012 totaled EUR 78 thousand (previous year: EUR 72 thousand). The fixed component was EUR 60 thousand (previous year: EUR 45 thousand), while the component for attendance fees and travel expenses amounted to EUR 18 thousand (previous year: EUR 27 thousand).

These remuneration rules applied for the first time in fiscal year 2012.

IX. 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. beschrieben sind.

Walldorf, March 4, 2013
REALTECH AG
The Executive Board

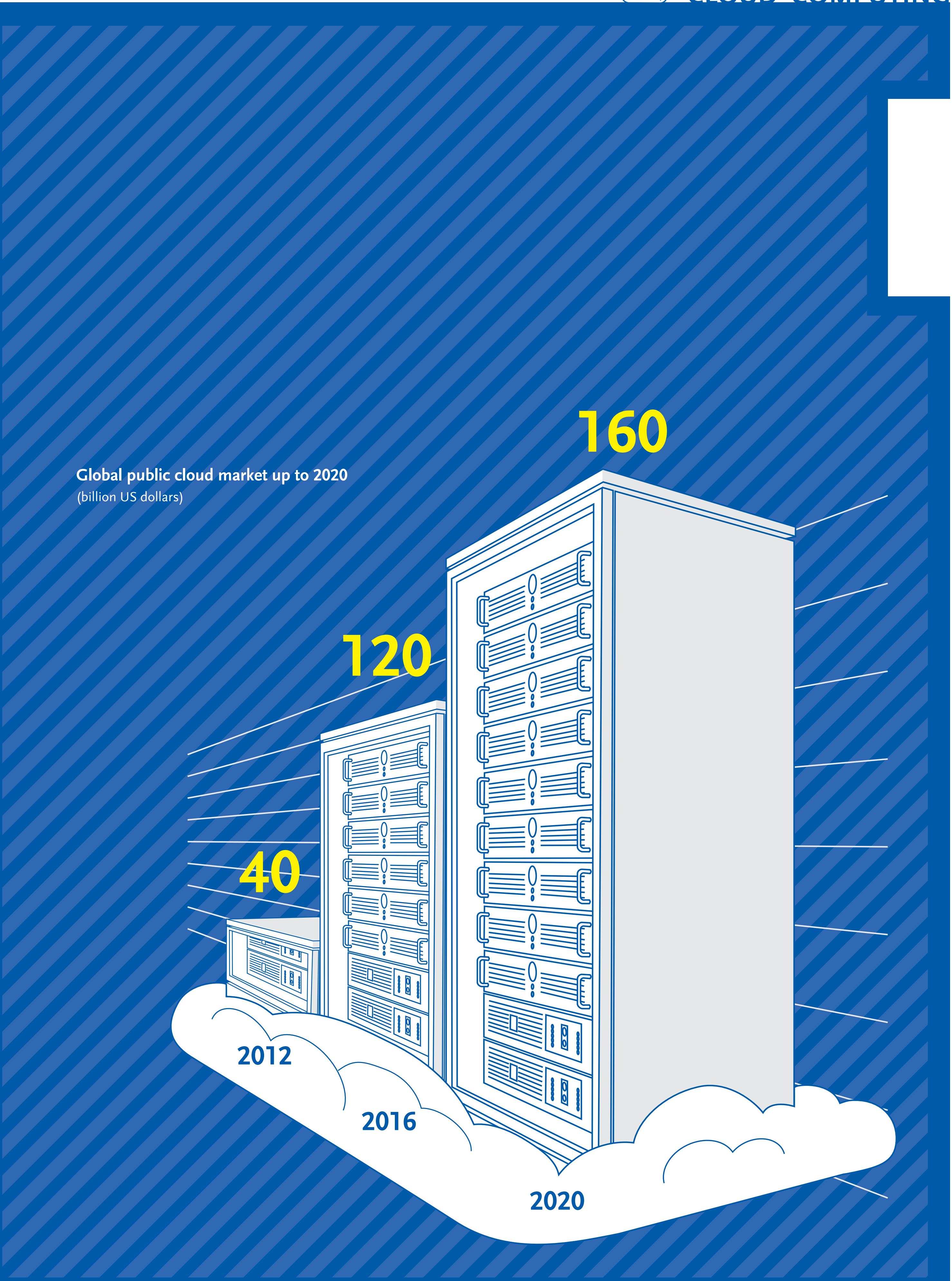
„The global trend towards the cloud is absolutely clear.“

Steve Ballmer, CEO Microsoft

REALTECH understands the Amazon cloud

Amazon Web Services (AWS), provided by the popular shopping platform, offer a broad range of cloud services. This is why it is often difficult for companies to find the right solution if they want to implement new SAP systems in the AWS cloud. The Japanese company UMC Electronics was therefore looking for a partner with comprehensive knowledge of SAP and AWS. Additional requirements were optimum performance and maximum security as well as the knowledge and experience needed to combine these two aspects.

The contract manufacturer for electronic systems and devices contacted Amazon to inquire about a consulting company that could install new SAP systems securely in the AWS cloud – and Amazon recommended REALTECH. However, this recommendation was not enough for UMC, because REALTECH also needed to meet three other selection criteria. The IT service provider needed to provide the customer with the expertise required to manage the system independently in the future. In addition, the partner was to have extensive experience of working with AWS products and SAP systems. And finally, the IT specialist needed to provide services in a reliable and cost-effective manner. The offer that REALTECH presented met all the criteria – and UMC Electronics chose the Walldorf-based IT specialist.



Source: Forrester Research, 2012

6 Consolidated Statement of Comprehensive Income

		Notes	2012 EUR	2011 EUR
Continuing operations				
Revenue		(18)	39.837.565	39.177.653
Cost of sales			(21.747.164)	(22.233.295)
Gross profit			**18.090.401**	**16.944.358**
Selling and marketing expenses			(8.222.384)	(7.614.695)
Administration expenses			(5.438.277)	(4.974.383)
Research and development expenses			(4.363.678)	(4.297.870)
Other operating expenses		(19)	(971.464)	(935.077)
Other operating income		(20)	1.323.609	1.045.420
Operating profit			**418.206**	**167.753**
Interest income			416.193	155.020
Interest expenses			(324.275)	(360.220)
Finance income		(21)	**91.918**	**(205.200)**
Profit before tax			**510.124**	**(37.447)**
Income tax expenses		(8)	(474.257)	(172.565)
Profit for the year from continuing operations			**35.867**	**(210.012)**
Discontinued operations				
Profit for the year from discontinued operations			0	1.108.764
Profit for the year		(22)	**35.867**	**898.752**
Profit attributable to :	- Owners to the company	(22)	(206.140)	806.128
	- Non-controlling interests	(22)	242.007	92.624
Other comprehensive income				
Exchange differences on translating foreign operations			(157.492)	(66.925)
Total comprehensive income for the year			**(121.625)**	**831.826**
Profit attributable to:	- Owners to the company		(287.297)	939.307
	- Non-controlling interests		165.673	(7.429)
Earnings per share				
From continuing and discontinued operations				
- Basic		(22)	(0,04)	0,15
- Diluted		(22)	(0,04)	0,15
From continuing operations				
- Basic		(22)	(0,04)	(0,06)
- Diluted		(22)	(0,04)	(0,06)
Average number of shares				
- Basic		(22)	5.385.652	5.367.402
- Diluted		(22)	5.385.652	5.367.402

Consolidated Statement of Cash Flows

	2012 EUR	2011 EUR
Profit for the year	**35.867**	**898.752**
Depreciation and amortization of non-current assets	1.229.592	1.238.380
Income tax expenses	474.257	172.565
Finance income, net	(91.918)	205.200
Gains/losses on disposals of non-current assets	36.883	605.062
Other adjustments for non-cash items	(1.134.166)	(4.718.951)
Decrease/(increase) in trade receivables	(1.560.408)	6.829.359
Decrease/(increase) in other financial assets	243.069	(644.516)
Decrease/(increase) in other non-financial assets	(121.298)	(22.383)
Increase/(decrease) in trade payables	587.917	(98.890)
Increase/(decrease) in financial liabilities	(227.492)	(1.325.067)
Increase/(decrease) in provisions	(469.098)	7.521
Increase/(decrease) in deferred revenue	1.628.278	450.611
Interest paid	(324.275)	(360.220)
Interest received	416.193	155.020
Income taxes paid, net of refunds	69.382	(847.722)
Net cash flows from operating activities	**792.783**	**2.544.721**
Purchase of intangible assets and property, plant and equipment	(964.404)	(982.033)
Proceeds on disposal of intangible assets and property, plant and equipment	0	198
Net cash inflow from refund of loans by disposed subsidiaries	444.465	3.134.871
Net cash inflow on disposal of subsidiaries	0	2.696.472
Net cash outflow on disposal of cash and cash equivalents of disposal of subsidiaries	0	(518.275)
Net cash flows from investing activities	**(519.939)**	**4.331.233**
Dividends paid to owners of the company	(1.841.782)	0
Proceeds from issuing shares	0	214.255
Payments for finance lease	(236.959)	(263.981)
Net cash flows from financing activities	**(2.078.741)**	**(49.726)**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(157.492)	33.127
Net increase/(decrease) in cash and cash equivalents	**(1.963.389)**	**6.859.354**
Cash and cash equivalents at the beginning of the year	**13.220.235**	**6.360.881**
Cash and cash equivalents at the end of the year	**11.256.846**	**13.220.235**

6 Consolidated Statement of Financial Position

ASSETS

	Notes	31.12.2012 EUR	31.12.2011 EUR
Current assets			
Cash and cash equivalents		11.256.846	13.220.235
Other financial assets	(5)	738.317	626.399
Trade receivables	(6)	11.442.969	9.882.561
Other non-financial assets	(7)	450.701	329.403
Tax assets	(8)	4.284.312	3.977.945
Total current assets		**28.173.145**	**28.036.543**
Non-current assets			
Goodwill	(9)	4.331.514	4.331.514
Other intangible assets	(9)	473.797	443.280
Property, plant and equipment	(9)	13.291.794	13.635.076
Other financial assets	(11)	304.621	659.609
Deferred tax assets	(8)	3.101.571	2.909.060
Total non-current assets		**21.503.297**	**21.978.539**
Total assets		**49.676.442**	**50.015.082**

LIABILITIES AND EQUITY

	Notes	31.12.2012 EUR	31.11.2011 EUR
Current liabilities			
Trade payables	(12)	1.948.238	1.360.320
Financial liabilities	(12)	2.047.743	1.824.392
Tax liabilities	(8)	6.952.753	6.883.371
Provisions	(13)	2.580.435	3.049.532
Deferred revenue		4.991.501	3.363.223
Total current liabilities		**18.520.670**	**16.480.838**
Non-current liabilities			
Financial liabilities	(14)	4.691.638	5.142.482
Deferred tax liabilities	(8)	1.878.385	1.842.607
Total non-current liabilities		**6.570.023**	**6.985.089**
Total liabilities		**25.090.693**	**23.465.927**
Equity	(15)		
Issued capital		5.385.652	5.385.652
Reserves		11.139.952	11.139.952
Retained Earnings		6.600.439	667.408
Other components of equity		586.251	8.421.275
Equity attributable to owners of the company		**23.712.294**	**25.614.287**
Non-controlling interests	(16)	873.455	934.869
Total equity		**24.585.749**	**26.549.156**
Total liabilities and equity		**49.676.442**	**50.015.082**

6 Consolidated Statement of Changes in Equity

	Issued capital EUR	Reserves EUR	Retained earnings EUR	
Balance at 31. December 2010	**5.349.152**	**10.962.197**	**7.615.147**	
Profit for the year			806.128	
Exchange rate changes on the balance of cash held in foreign currencies				
Total comprehensive income for the year			**806.128**	
Issue of shares under employee convertible bond program	36.500	177.755		
Balance at 31. December 2011	**5.385.652**	**11.139.952**	**8.421.275**	
Profit for the year			(206.140)	
Exchange rate changes on the balance of cash held in foreign currencies				
Total comprehensive income for the year			**(206.140)**	
Payment of dividends			(1.614.696)	
Balance at 31. December 2012	**5.385.652**	**11.139.952**	**6.600.439**	

Other components of equity EUR	Equity attributable to owners of the company EUR	Non-controlling interests EUR	Total equity EUR
534.229	**24.460.725**	**942.297**	**25.403.022**
	806.128	92.624	898.752
133.179	133.179	(100.052)	33.127
133.179	**939.307**	**(7.428)**	**931.879**
	214.255		214.255
667.408	**25.614.287**	**934.869**	**26.549.156**
	(206.140)	242.007	35.867
(81.157)	(81.157)	(76.335)	(157.492)
(81.157)	**(287.297)**	**165.672**	**(121.625)**
	(1.614.696)	(227.086)	(1.841.782)
586.251	**23.712.294**	**873.455**	**24.585.749**

6 Notes to the Consolidated Financial Statements

ACCOUNTING POLICIES

1. Basis of preparation of the consolidated financial statements

REALTECH AG has prepared its consolidated financial statements in accordance with the accounting standards of the International Accounting Standards Board (IASB) – i.e. the International Financial Reporting Standards (IFRS) as they must be applied in the EU – since fiscal year 2005. The IAS, IFRS, and corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRS IC) applicable as of December 31, 2012 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. 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, Spain (until June 2011), Portugal, Denmark (since January 2012), 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.

Application of new and amended standards

Amended standards and interpretations that could have influenced the amounts reported in the consolidated financial statements

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:

Revision of IFRS 7	Disclosures – transfer of financial assets 1

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, 2012, 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.

IFRS 9	Financial instruments [4]
IFRS 10	Consolidated financial statements [5]
IFRS 11	Joint arrangements [5]
IFRS 12	Disclosure of interests in other entities [5]
IFRS 13	Fair value measurement [2]
Amendments to IFRS 7 IFRS 7	Disclosures – offsetting of financial assets and liabilities [2]
Amendments to IFRS 7 and IFRS 9	Date from which application of IFRS 9 becomes mandatory and details regarding the transitional period [4]
Amendments to IFRS 10 and IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transitional guidelines [5]
Amendments to IFRS 10 and IFRS 11 and IFRS 12	Investment company [5]
Revision of IAS 1	Presentation of items of other income [1]
Amendments to IAS 12	Deferred tax – realization of underlying assets [2]
Amendments to IAS 19 (2011)	Employee benefits [2]
IAS 27 (2011)	Separate financial statements [5]
IAS 28 (2011)	Investments in associates and joint ventures [5]
Amendments to IAS 32	Disclosures – offsetting of financial assets and liabilities [3]
Amendments to IFRS	Annual improvements to the IFRS cycle 2009 – 2011 [2]
IFRIC 20	Stripping costs in the production phase of a surface mine [2]

[1] To be applied to fiscal years beginning on or after July 1, 2012.
[2] To be applied to fiscal years beginning on or after January 1, 2013.
[3] To be applied to fiscal years beginning on or after January 1, 2014.
[4] To be applied to fiscal years beginning on or after January 1, 2015.
[5] To be applied to fiscal years beginning on or after January 1, 2013. In the EU, the initial application will only become mandatory for fiscal years that begin on or after January 1, 2014.

The accounting policies applied correspond to the methods used the previous year.

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 the majority of voting rights:

- REALTECH Verwaltungs GmbH, Walldorf, Germany, 100%
- REALTECH Software Products GmbH, Walldorf, Germany, 100%
- REALTECH Consulting GmbH, Walldorf, Germany, 100%
- REALTECH Services GmbH, Walldorf, Germany, 100%
- Timplify GmbH, Karlsruhe, Germany, 100% (since November 21, 2012, formerly GloBE technology GmbH, Walldorf)
- REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lisbon, Portugal, 100%
- REALTECH Nordic ApS, Copenhagen, Denmark, 100%
- REALTECH Inc., Malvern, PA, USA, 100%
- REALTECH Ltd., Auckland, New Zealand, 100%
- REALTECH System Consulting Pte. Ltd., Singapore, 100%
- REALTECH Japan Co., Ltd., Tokyo, Japan, 54.1%

The companies included in the consolidated financial statements have changed compared to December 31, 2011 in that REALTECH Nordic ApS, Copenhagen, Denmark, which was founded on January 2, 2012, was included in the consolidated financial statements for the first time.
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 – and Timplify GmbH, Karlsruhe fulfilled the requirements stipulated in Section 264, paragraph 3 of the German Commercial Code (HGB) for utilizing the exemption regulation, which is made use of in full.

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. 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 shown under equity, with no effect on 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 financial statement.

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 for which the fair value is measured in a foreign currency 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.

Production orders

When the outcome of a production order (consulting and software project) 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 financial statement 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 on the commencement date of the leasing relationship term – 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 financial statement 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

Acquired intangible assets with a specific useful life 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. There are no intangible assets with an unspecified useful life.

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

Financial assets are divided into the following categories:

- Financial assets measured at fair value with an effect on profit and loss
- Held-to-maturity investments
- Available-for-sale financial assets
- Loans and receivables

The company only discloses loans and receivables.

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.

Effective interest method

The effective interest method is a method for calculating the amortized cost of a financial asset or a financial liability and the allocation of interest income and interest costs to the relevant periods. The effective interest rate is the interest rate at which the estimated future cash receipts and payments (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 financial asset or financial liability or a shorter period, if applicable, to the net carrying amount at initial recognition.

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 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 other liabilities at the company.

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

4. Main sources of estimation uncertainty

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

The estimates essentially relate to the goodwill (EUR 4,332 thousand, previous year EUR 4,332 thousand), other intangible assets (EUR 474 thousand, previous year EUR 443 thousand), property, plant and equipment (EUR 13,292 thousand, previous year EUR 13,635 thousand), deferred tax assets (EUR 3,102 thousand, previous year EUR 2,909 thousand), trade receivables (EUR 11,443, previous year EUR 9,883 thousand), current tax assets (EUR 4,284 thousand, previous year EUR 3,978 thousand) and provisions (EUR 2,580 thousand, previous year EUR 3,050 thousand) presented in the consolidated financial statement.

The process of determining the recoverable amount for a cash-generating unit requires estimates to be made by the 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.

The determination of the production orders is based on estimates with regard to the determination of the degree of progress and the expected costs that are still outstanding.

Income taxes and deferred taxes must be estimated for every tax jurisdiction in which the Group operates. Income taxes and deferred taxes must be estimated for every tax jurisdiction in which the Group operates. 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.

The management forms provisions if there is more evidence for than against a current obligation to a third party stemming from a past event, the probable amount that will be required can be reliably estimated and it is probable that settling this obligation would lead to an outflow of resources, although there are uncertainties regarding the time or amount of the expenditure that will be required in the future. The management adjusts the amount of the provisions regularly if new or different framework conditions occur. Long-term provisions are recognized at the present value of the expected settlement amounts on the balance sheet date. The discount rates are regularly adjusted to the prevailing market interest rates.

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

5. Other financial assets (current)

	31.12.2012 TEUR	31.12.2011 TEUR
Loans	518	467
Rent receivables	87	83
Benefit obligations	67	0
Other	66	76
	738	**626**

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 balance sheet date

6. Trade receivables

	31.12.2012 TEUR	31.12.2011 TEUR
Trade receivables	11.741	10.404
Impairments	298	521
	11.443	**9.883**

Trade receivables are due in the short term (see also the section on credit risks under section 27). These include production orders with a credit balance due from customers of EUR 3,845 thousand (previous year: EUR 2,916 thousand). Furthermore, there are received payments on account relating to production orders of EUR 3,516 thousand (previous year: 2,264 thousand) that are shown as deferred revenue.

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

	31.12.2012 TEUR	31.12.2011 TEUR
Situation at the beginning of the year	521	391
Impairments of receivables	0	130
Reversals of impairment of receivables	223	0
Situation at the end of the year	**298**	**521**

7. Other non-financial assets

Other non-financial assets encompass prepaid expenses and accrued income amounting to EUR 451 thousand (previous year: EUR 329 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:

	31.12.2012 TEUR	31.12.2011 TEUR
Income taxes receivable, Germany	4.266	3.911
Other	18	67
Tax assets	**4.284**	**3.978**

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

	31.12.2012 TEUR	31.12.2011 TEUR
Income tax payable, Germany	6.464	6.298
Other	489	585
Tax liabilities	**6.953**	**6.883**

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

	2012 TEUR	2011 TEUR
Current tax expense	(652)	(509)
Deferred tax income (net)	178	336
Income tax expenses	**(474)**	**(173)**

The Group's income taxes are reconciled in the following table. The corporation tax rate to be applied amounts to 15.0 % plus the solidarity surcharge of 5.5 %. The Group must also make trade tax payments of 9.2 %. This amounts to an expected income tax liability of 25.0 % (compared to 25.0 % in the previous year).

	2012 TEUR	2011 TEUR
Expected tax expenses	(128)	0
Tax effect from previous years	17	(81)
Tax rate difference/measurement differences (abroad)	(363)	(92)
Income tax expenses	**(474)**	**(173)**

In the year under review, the tax rate differences in foreign countries primarily resulted from REALTECH Japan due to a deviating tax rate (38.0 %) as well as measurement differences between IFRS accounting and the local tax assessment bases.

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

	31.12.2012 TEUR	31.12.2011 TEUR
Finance leasing	1.186	1.318
Tax loss carryforwards	1.535	1.247
Fixed assets	12	11
Impairments	4	39
Provisions	362	285
Other	3	9
Deferred tax assets	**3.102**	**2.909**

The deferred tax assets resulting from losses carried forward are primarily attributed to REALTECH AG. Based on corporate planning, we expect that it will be possible to use these losses carried forward in the future.

	31.12.2012 TEUR	31.12.2011 TEUR
Finance leasing	1.356	1.403
Fixed assets	377	361
Goodwill	22	18
Production orders	123	61
Deferred tax liabilities	**1.878**	**1.843**

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 2012 fiscal year:

	Cost				
	01.01.2012 TEUR	Additions TEUR	Disposals TEUR	Exchange differences from translation TEUR	31.12.2012 TEUR
Goodwill	**7.071**	**0**	**0**	**6**	**7.077**
Other intangible assets	**2.465**	**259**	**0**	**(1)**	**2.723**
Land and property, land rights and buildings	17.310	192	15	(12)	17.475
Equipment and machinery	285	449	10	(14)	710
Other equipment, operational and office equipment	6.500	64	227	19	6.356
Property, plant and equipment	**24.095**	**705**	**252**	**(7)**	**24.541**
	33.631	**964**	**252**	**(2)**	**34.341**

Goodwill results from business combinations, particularly from 1999. Further explanations regarding business combinations can be found in sections 3 and 23.

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, selling and marketing expenses and administrative expenses.

Accumulated depreciation					Net carrying amounts	
01.01.2012 TEUR	Additions TEUR	Disposals TEUR	Exchange differences from translation TEUR	31.12.2012 TEUR	31.12.2012 TEUR	31.12.2011 TEUR
2.739	**0**	**0**	**6**	**2.745**	**4.332**	**4.332**
2.022	**228**	**0**	**(1)**	**2.249**	**474**	**443**
4.581	474	8	(3)	5.044	12.431	12.729
248	32	10	(11)	259	451	37
5.631	496	197	16	5.946	410	869
10.460	**1.002**	**215**	**2**	**11.249**	**13.292**	**13.635**
15.221	**1.230**	**215**	**7**	**16.243**	**18.098**	**18.410**

Fixed assets changed as follows in the 2011 fiscal year:

	Cost					
	01.01.2011 TEUR	Additions TEUR	Disposals TEUR	Exchange differences from translation TEUR	Deconsolida-tion 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	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**

* Corrections according to IAS 8

Accumulated depreciation						Net carrying amounts	
01.01.2011 TEUR	Additions TEUR	Disposals TEUR	Exchange differences from translation TEUR	Deconsolida-tion TEUR	31.12.2011 TEUR	31.12.2011 TEUR	31.12.2010 TEUR
2.739	**0**	**0**	**6**	**0**	**2.739**	**4.332**	**4.332**
1.830	**294**	**0**	**8**	**110**	**2.022**	**443**	**619**
2.552	275	1	1	0	2.827	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**

10. Shareholdings

On December 31, 2012, REALTECH AG directly and indirectly held shares of at least 20 % in the following companies:

	Share of capital %	Equity 31.12.2012 TEUR	Annual net income 2012 TEUR
REALTECH Verwaltungs GmbH, Walldorf, Germany	100,0	253	3.428 [1]
REALTECH Consulting GmbH, Walldorf, Germany	100,0	26	(514) [1]
REALTECH Services GmbH, Walldorf, Germany	100,0	163	163 [1]
REALTECH Software Products GmbH, Walldorf, Germany	100,0	40	(2.961) [1]
Timplify GmbH, Karlsruhe, Germany	100,0	251	(105)
REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lisbon, Portugal	100,0	241	44
REALTECH Nordic ApS, Copenhagen, Denmark	100,0	(18)	(29)
REALTECH Inc., Malvern, PA, USA	100,0	(593)	(355)
REALTECH Ltd., Auckland, New Zealand	100,0	760	174
REALTECH System Consulting Pte. Ltd., Singapore	100,0	286	10
REALTECH Japan Co., Ltd., Tokyo, Japan	54,1	1.073	285

[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)

	31.12.2012 TEUR	31.12.2011 TEUR
Loans	0	478
Deposits	252	114
Other	53	68
	305	**660**

The loan was granted to the former 100 % subsidiary REALTECH Italia S. p. A., which was sold at the end of 2010. Interest was charged in line with market conditions. The remaining loan amount was reclassified as other financial assets (current).

12. Liabilities (current)

	31.12.2012 TEUR	31.12.2011 TEUR
Trade payables	1.948	1.360
Financial liabilities	2.048	1.824
	3.996	**3.184**

Financial liabilities include sales tax, withholding tax and wage tax liabilities in the amount of EUR 597 thousand (previous year: EUR 658 thousand), outstanding supplier invoices in the amount of EUR 517 thousand (previous year EUR 542 thousand), the office lease liability (see also section 26) in the amount of EUR 223 thousand (previous year: EUR 257 thousand), liabilities to employees in the amount of EUR 223 thousand (previous year: EUR 167 thousand), liabilities to minority shareholders resulting from the dividends of REALTECH Japan in the amount of EUR 189 thousand (previous year: EUR 0 thousand) and liabilities to the Supervisory Board in the amount of EUR 78 thousand (previous year: EUR 95 thousand).

Production order with liabilities to customers did not occur in either the year under review or the previous year.

13. Provisions

	31.12.2012 TEUR	31.12.2011 TEUR
Employee-related obligations	2.498	2.930
Other provisions (see below)	82	120
	2.580	**3.050**

Employee-related obligations primarily encompass annual vacation entitlements, indemnities, bonuses and profit sharing. The decrease in the carrying amount in the current period is a result of lower claims from severance payments, bonuses and profit sharing.

Other provisions

	Construction work TEUR	Warranty work TEUR	Onerous lease contracts TEUR	Total TEUR
Situation as of Jan. 1, 2012	53	25	42	120
Recognition of additional provisions	0	0	57	57
Decrease as a result of payments or other considerations that represent future economic benefits	53	0	42	95
Decrease as a result of termination (with no costs)	0	0	0	0
Situation as of Dec. 31, 2012	**0**	**25**	**57**	**82**

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

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)

	31.12.2012 TEUR	31.12.2011 TEUR
Office lease liability	4.475	4.963
Other	217	180
	4.692	**5.143**

The office lease liability is explained in section 26 Leases.

15. Equity

Issued capital

The company's issued capital is fully paid. The number of no-par value shares issued as per December 31, 2012 amounted to 5,385,652 (December 31, 2011: 5,385,652). Each share has an accounting par value of EUR 1.00. The issued capital was EUR 5,385,652 on the balance sheet date.

Authorized capital

The General Meeting decision of May 21, 2010 authorized the Executive Board to increase the issued 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 Executive Board and Supervisory Board are authorized to exclude shareholders' subscription rights.

Contingent capital

Due to the conditional increase in the issued capital approved on May 16, 2002, in the 2011 fiscal year 36,500 new shares were issued with a nominal value of EUR 36,500.00. The issued capital was thus increased from EUR 36,500.00 to EUR 5,385,652.00. The capital increase has been implemented. The Supervisory Board approved the change to the Item 4 (Share capital) of the Articles of Association on February 27, 2012.

The contingent capital agreed on May 16, 2002 thus no longer exists having being fully spent.

Reserves

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

Retained earnings

	2012 TEUR	2011 TEUR
Situation at the beginning of the year	8.421	7.615
The annual net income attributable to the shareholders of the parent company	(206)	806
Payment of dividends	(1.615)	0
Situation at the end of the year	**6.600**	**8.421**

Other components of equity

	2012 TEUR	2011 TEUR
Situation at the beginning of the year	667	534
Currency translation differences of economically independent entities	(81)	133
Situation at the end of the year	**586**	**667**

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 German Stock Corporation Act (AktG), the company was authorized to purchase treasury shares amounting to up to 10 % of the issued capital at this point in time of EUR 5,295,952.00 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 issued capital. This authorization was not utilized in fiscal year 2012, as in the previous year.

16. Non-controlling shareholders

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. Furthermore, REALTECH AG's activity in its function as a holding as well as the activities of REALTECH Verwaltungs GmbH in its function as owner or lessee of the office building in Walldorf 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 2012 fiscal year were 13 % or EUR 5,005 thousand (thereof Consulting: EUR 3,979 thousand and Software: EUR 1,026 thousand) in the previous year this was 12 % or EUR 4,753 thousand (thereof Consulting: EUR 4,154 thousand and Software EUR 599 thousand). Due to the fact that one REALTECH customer accounts for 13 % of revenue (previous year: 12 %), the credit risk for the Group is 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 expenses 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 1,953 thousand (previous year: EUR 773 thousand) to the Group's segment income. The contribution of the software segment was minus EUR 1 thousand (previous year: EUR 1,689 thousand). The operating margin for Consulting was 7 % (previous year: 3 %) and for Software 0 % (previous year: 13 %).

The segment income of the other segment was minus EUR 1,534 thousand (previous year: minus EUR 2,294 thousand).

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. 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	
	31.12.2012 TEUR	31.12.2011 TEUR
Revenue	**27.560**	**26.434**
Cost of sales	(19.855)	(20.651)
Selling and marketing expenses	(3.108)	(2.592)
Administrative expenses	(2.654)	(2.512)
Research and development expenses		
Other operating expenses	(78)	0
Other operating income	88	94
Segment income	**1.953**	**773**
Finance income		
Gains or losses relating to continuing operations (before tax)		
Income tax expenses		
Gains or losses relating to continuing operations		
Post-tax income from discontinued operations		
Profit for the years		
Segment assets	**28.168**	**28.140**
Unallocated assets		
Consolidated assets		
Segment liabilities	**6.586**	**5.245**
Unallocated liabilities		
Consolidated liabilities		
Additions to non-current assets	631	653
Scheduled depreciation	(843)	(831)

	Software		Other segment		Group	
	31.12.2012 TEUR	31.12.2011 TEUR	31.12.2012 TEUR	31.12.2011 TEUR	31.12.2012 TEUR	31.12.2011 TEUR
	12.278	**12.744**			**39.838**	**39.178**
	(1.892)	(1.582)			(21.747)	(22.233)
	(4.782)	(4.322)	(332)	(701)	(8.222)	(7.615)
	(1.290)	(1.060)	(1.494)	(1.402)	(5.438)	(4.974)
	(4.364)	(4.047)	0	(251)	(4.364)	(4.298)
	(76)	(47)	(818)	(888)	(972)	(935)
	125	3	1.110	948	1.323	1.045
	(1)	**1.689**	**(1.534)**	**(2.294)**	**418**	**168**
					92	(205)
					510	**(37)**
					(474)	(173)
					36	**(210)**
					0	1.109
					36	**899**
	13.079	**13.999**			**41.247**	**42.139**
			8.429	7.876	8.429	7.876
					49.676	**50.015**
	2.934	**2.528**			**9.520**	**7.773**
			15.571	15.693	15.571	15.693
					25.091	**23.466**
	281	315	52	14	964	982
	(376)	(401)	(11)	(6)	(1.230)	(1.238)

Geographic information

The Group operates primarily in four geographic regions: Germany, Portugal and Nordic, 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 revenue		Carrying amount of segment assets		Additions to non-current assets	
	2012 TEUR	2011 TEUR	31.12.2012 TEUR	31.12.2011 TEUR	31.12.2012 TEUR	31.12.2011 TEUR
Germany	26.211	27.668	42.200	43.286	737	916
Portugal and Nordic	583	1.285	556	1.018	4	7
USA	2.646	2.811	558	931	13	0
Asia Pacific	10.398	7.414	6.362	4.780	210	59
Total	**39.838**	**39.178**	**49.676**	**50.015**	**964**	**982**
		thereof non-current	21.503	21.979		
		thereof Germany	20.587	21.499		
		thereof other countries	916	480		

18. Revenue

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

	2012 TEUR	2011 TEUR
Consulting	27.560	26.434
Software	12.278	12.744
	39.838	**39.178**

The revenue from production orders included in sales is EUR 8,947 thousand (previous year: EUR 6,282 thousand).

The Group's sales from Software are broken down as follows:

	2012 TEUR	2011 TEUR
Licenses	2.926	3.762
Services	1.652	1.678
Maintenance	7.700	7.304
	12.278	**12.744**

19. Other operating expenses

The other operating expenses amounting to EUR 972 thousand (previous year: EUR 935 thousand) primarily include expenses from operating lease agreements (EUR 615 thousand, previous year EUR 767 thousand), from a legal dispute (EUR 204 thousand, previous year: EUR 0 thousand) and from currency losses (EUR 148 thousand, previous year: EUR 168 thousand). Please see section 26 for details regarding the rent and lease liabilities.

20. Other operating income

The other operating income of EUR 1,324 thousand (previous year: EUR 1,045 thousand) includes, for example, rental income from third parties for the use of the office in Walldorf (EUR 712 thousand, previous year: EUR 415 thousand) reversals of impairment for trade receivables (EUR 223, previous year: EUR 0 thousand) and currency gains in the amount of EUR 153 thousand (previous year: EUR 108 thousand).

21. Finance income

The financial result of EUR 92 thousand (previous year: minus EUR 205 thousand) comprises interest income in the amount of EUR 416 thousand (previous year: EUR 155 thousand) from loans and other financial liabilities (cash and bank balances) and interest expenses in the amount of EUR 324 thousand (previous year: EUR 360 thousand) for financial liabilities, in particular lease expenses.

22. 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:

	2012 EUR	2011 EUR
Profit for the year	**35.867**	**898.752**
Attributable to		
- Shareholders of the parent company	(206.140)	806.128
- Non-controlling shareholders	242.007	92.624
Earnings per share		
From continuing and discontinued operations		
- Basic	(0,04)	0,15
- Diluted	(0,04)	0,15
From continuing operations		
- Basic	(0,04)	(0,06)
- Diluted	(0,04)	(0,06)
Average number of shares outstanding		
- Basic	5.385.652	5.367.402
- Diluted	5.385.652	5.367.402

Due to the authorization by the General Meeting of May 21, 2010 to increase the share capital (issued 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, corresponding dilution is possible for each share.

The Executive and Supervisory Boards decided at their meeting on February 28, 2013 to propose at the next General Meeting carrying forward the net profit of REALTECH AG to a new account. In the previous year, a dividend of EUR 0.30 per share was agreed with a total amount of EUR 1,615,695.60. The General Meeting is scheduled to be held in Wiesloch on May 16, 2013.

OTHER INFORMATION

23. 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.

Consulting business 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.

Software business 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, Schweitenkirche (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 (now Timplify GmbH, Karlsruhe) 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 goodwill values 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 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:

	31.12.2012 TEUR	31.12.2011 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 2013 and 2014 and the terminal value. Growth of 1.0 % was assumed for the terminal value, as in the previous year

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 2013 and 2014 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 (6.34 %) was used as a basis for 2013 and 2014, and for the terminal value, a WACC calculated accordingly was used (5.40 %). In the case of the CGU Software (Germany), a WACC of 6.36 % was used for 2013 and 2014; for the terminal value, a WACC of 5.44 % was used. For the CGU REALTECH Japan, the WACC was 8.34 % for 2013 and 2014, and for the terminal value the WACC was 7.34 %.

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)

	31.12.2012 TEUR
Goodwill Consulting Germany	2.390
Working capital of REALTECH Consulting GmbH	324
Non-current assets of REALTECH Consulting GmbH	192
Net carrying amount	**2.906**
Recoverable amount	**16.015**

CGU Software (Germany)

	31.12.2012 TEUR
Goodwill Software Germany	1.702
Working capital of REALTECH Software Products GmbH	(146)
Non-current assets of REALTECH Software Products GmbH	186
Net carrying amount	**1.742**
Recoverable amount	**43.793**

CGU REALTECH Japan (Consulting)

	31.12.2012 TEUR
Goodwill Consulting Japan	240
Working capital of REALTECH Japan Co., Ltd.	1.683
Non-current assets of REALTECH Japan Co., Ltd.	483
Net carrying amount	**2.406**
Recoverable amount	**6.112**

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 carrying amount, the goodwill impairment test did not result in impairment of goodwill as of December 31, 2012.

Sensitivity analysis in accordance with IAS 36, 134 f

In order to meet the requirement of IAS 36, 134 f the above check was performed in addition for:

Unchanged EBIT with an increased interest rate of 1.0 % for the terminal value

For the CGU Consulting (Germany), the same WACC (6.34 %) was used as a basis for 2013 and 2014, and for the terminal value, a WACC calculated accordingly was used (6.40 %). In the case of the CGU Software (Germany), a WACC of 6.36 % was used for 2013 and 2014; for the terminal value, a WACC of 5.48 % was used. The WACC for CGU REALTECH Japan for 2013 and 2014 and for the terminal value was 8.34 %.

The respective recoverable amount that was compared to the calculated net carrying amount, to determine the potential impairment requirement was:

	31.12.2012 TEUR
CGU Consulting (Germany)	12.896
CGU Software (Germany)	28.362
CGU REALTECH Japan (Consulting)	6.751

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 carrying amount, the goodwill impairment test did not result in impairment of goodwill as of December 31, 2012.

Unchanged interest rate with a 5.0 % decreased EBIT of the terminal value

For the CGU Consulting (Germany), the same WACC (6.34 %) was used as a basis for 2013 and 2014, and for the terminal value, a WACC calculated accordingly was used (6.40 %). In the case of the CGU Software (Germany), a WACC of 6.36 % was used for 2013 and 2014 and for the terminal value. The WACC for CGU REALTECH Japan for 2013 and 2014 and for the terminal value was 8.34 %.

The respective recoverable amount that was compared to the calculated net carrying amount, to determine the potential impairment requirement was:

	31.12.2012 TEUR
CGU Consulting (Germany)	13.328
CGU Software (Germany)	35.879
CGU REALTECH Japan (Consulting)	5.206

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 carrying amount, the goodwill impairment test did not result in impairment of goodwill as of December 31, 2012.

24. 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 in the previous year. As in the previous year, this comprises overnight money only. The cash is not subject to any restrictions.

25. Personnel expenses and scheduled depreciation

Staff costs in fiscal year 2012 were EUR 24,916 thousand, compared to EUR 25,040 thousand the previous year. This concerned the items cost of sales, selling and marketing expenses, administrative expenses and research and development costs. The reduction is a result of the lack of severance payments compared with the previous year.

Expenses for defined contribution plans, such as pension funds, were EUR 2,546 thousand in the 2012 fiscal year (previous year: EUR 2,554 thousand).

Total scheduled depreciation was EUR 1,230 thousand (previous year: EUR 1,238 thousand). Of this, other intangible assets accounted for EUR 228 thousand (previous year: EUR 294 thousand) and plant, property and equipment accounted for EUR 1,002 thousand (previous year: EUR 944 thousand). This affected the cost of sales and administrative expenses items, in particular.

26. 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, 2002. 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 in accordance with the cost model with an amount of EUR 5,373 thousand as of December 31, 2012 (December 31, 2011: EUR 5,556 thousand).

The useful life of the building was estimated to be 40 years. The historic acquisition costs were EUR 7,307 thousand. The annual depreciation was EUR 183 thousand while the cumulated depreciation amounts to EUR 1,933 thousand. There was no indication of other impairment. The building is shown under Section 9 within the land, land rights and buildings item.

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.

The income and expenses relating to buildings classified as investment property is of minor importance to the consolidated financial statements. According to the last available audit of November 5, 2010, the fair value of the building is EUR 11,471 thousand. Up to December 31, 2012, there were no significant changes on the property market in the Rhine-Neckar region.

Liabilities from finance leases

	Minimum lease payments		Present value of the minimum lease payments	
	31.12.2012 TEUR	31.12.2011 TEUR	31.12.2012 TEUR	31.12.2011 TEUR
With a remaining term of up to one year	529	596	496	560
With a remaining term of more than one year and up to five years	5.398	2.384	4.202	1.918
With a remaining term of more than five years	0	3.857	0	2.742
Less future finance costs	(1.229)	(1.617)	0	0
Total	**4.698**	**5.220**	**4.698**	**5.220**

	31.12.2012 TEUR	31.12.2011 TEUR
Recognized in the consolidated financial statements as		
Financial liabilities (current), see section 12	223	257
Financial liabilities (non-current), see section 14	4.475	4.963
	4.698	**5.220**

Other rent and lease agreements

As the lessee

The existing obligations arising from rent, lease and operating lease agreements as of December 31, 2012 are broken down as follows:

	TEUR
2013	1.586
2014	1.099
2015	738
2016	497
2017 and following years	0
	3.920

Expenses arising from operating lease agreements were EUR 1,786 thousand in the year under review (previous year: EUR 1,457 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 inflow

	31.12.2012 TEUR
With a remaining term of up to one year	624
With a remaining term of more than one year and up to five years	911
With a remaining term of more than five years	0
	1.535

27. Financial instruments and notes on capital management

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

	31.12.2012			31.12.2011		
	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR
Assets						
Cash and bank deposits	11.257	11.257	11.257	13.220	13.220	13.220
Trade receivables (incl. impairment)	11.443	11.443	11.443	9.883	9.883	9.883
Other financial assets	1.043	1.043	1.043	1.286	1.286	1.286

	31.12.2012			31.12.2011		
	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR	Carrying amount TEUR	At amortized cost TEUR	Fair value TEUR
Liabilities						
Trade payables	1.948	1.948	1.948	1.360	1.360	1.360
Financial liabilities	6.739	6.739	6.739	6.967	6.967	6.967

	31.12.2012			31.12.2011		
	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 and receivables)	23.743	23.743	23.743	24.388	24.388	24.388
Financial liabilities (At amortized cost)	8.688	8.688	8.688	8.327	8.327	8.327

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 bank deposits, 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 other financial assets shown in the loans and receivables category. 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 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 and losses

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

	2012 TEUR	2011 TEUR
Interest income	416	155
Impairments	0	(130)
Reversals of impairment	223	0

The net profits and losses arising from financial liabilities measured at amortized cost and included in the statement of comprehensive income were:

	2012 TEUR	2011 TEUR
Interest expense	(324)	(360)

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 balance sheet 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 balance sheet items and expected cash flows, and deals with these risks by means of targeted exchange rate management. Other financial risks are hedged by a credit management system, as well as by stringent receivables management and checks on creditworthiness.

As a proportion of revenue, 67 % of the Group's business activities are in the euro region (previous year: 74 %). Changes in exchange rates for the other Group currencies (DKK, USD, NZD, SGD and JPY) would therefore have no significant 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 2012. 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:

	31.12.2012 TEUR	31.12.2011 TEUR
Not due, not individually impaired	8.987	6.481
0 to 29 days past due	1.906	1.033
30 to 59 days past due	316	1.228
60 to 89 days past due	28	321
90 to 120 days past due	80	301
more than 120 days past due	424	1.040
Total of past due, but not individually impaired receivables	2.754	3.923
Individually impaired	298	521
Net carrying amount	**11.443**	**9.883**

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 13% of revenue (previous year: 12%), the liability and credit risks for the Group are negligible. The revenue from the largest individual customers was EUR 5,005 thousand (previous year: EUR 4,753 thousand), with Consulting accounting for EUR 3,979 thousand (previous year: EUR 4,154 thousand) and Software for EUR 1,026 thousand (previous year: EUR 599 thousand). 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:

	31.12.2012			31.12.2011		
	Residual term					
	Up to 1 year	More than 1 year and up to 5 years	More than 5 years	Up to 1 year	More than 1 year and up to 5 years	More than 5 years
Trade payables	1.948	0	0	1.360	0	0
Financial liabilities	2.048	4.692	0	1.824	2.098	2.742
	3.996	**4.692**	**0**	**3.184**	**2.098**	**2.742**

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

Derivative financial instruments

The company does not have any derivative financial instruments.

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 financial statement. 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, 2012, the company's gearing was minus 0.20 (previous year: minus 0.25):

	31.12.2012 TEUR	31.12.2011 TEUR
Trade payables	1.948	1.360
Tax liabilities	6.953	6.883
Financial liabilities	6.739	6.967
Provisions	2.580	3.050
Deferred revenue	4.992	3.363
Gross financial liabilities	**23.212**	**21.623**
Cash and cash equivalents	11.257	13.220
Other financial assets	1.043	1.286
Trade receivables	11.443	9.883
Tax assets	4.284	3.978
Net financial liabilities	**(4.815)**	**(6.744)**
Equity according to the consolidated financial statement	**24.586**	**26.549**

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.

28. 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)
Thomas Mayerbacher

The executive bodies have no further members.

29. Remuneration of the Executive and Supervisory Boards

Remuneration received by the Executive Board in fiscal year 2012 totaled EUR 382 thousand (compared to EUR 760 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 382 thousand (previous year: EUR 535 thousand), while variable remuneration totaled EUR 0 thousand (previous year: EUR 204 thousand). Share-based remuneration was also EUR 0 thousand (previous year: EUR 21 thousand). As in the previous year, no options were granted in fiscal year 2012.

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

	31.12.2012			31.12.2011		
Name	Fixed component	Variable component	Share-based component	Fixer component	Variable component	Share-based component
Dr. Rudolf Caspary	215	0	0	205	102	16
Thomas Mayerbacher	167	0	0	166	0	5
Nicola Glowinski (until July 31, 2011)	0	0	0	164	102	0
	382	**0**	**0**	**382**	**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% of the severance payment installments that were originally to be paid until March 2013 as a one-off payment. In fiscal year 2012, severance payments paid to Nicola Glowinski amounted to EUR 269 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 2012 totaled EUR 78 thousand (previous year: EUR 72 thousand). The fixed component was EUR 60 thousand (previous year: EUR 45 thousand), while the component for attendance fees and travel expenses amounted to EUR 18 thousand (previous year: EUR 27 thousand).

30. Directors' dealings

Changes in numbers of REALTECH shares held by members of the Executive Board of REALTECH AG in fiscal year 2012 can be seen in the following table:

	Dr. Rudolf Caspary	Thomas Mayerbacher
Situation as of Jan. 1, 2012	36.320	1.620
Additions	7.300	0
Disposals	0	0
Situation as of Dec. 31, 2012	**43.620**	**1.620**

Changes in numbers of REALTECH shares held by members of the Supervisory Board of REALTECH AG in fiscal year 2012 can be seen in the following table:

	Daniele Di Croce	Rainer Schmidt	Peter Stier
Situation as of Jan. 1, 2012	885.500	765.500	745.500
Additions	0	0	0
Disposals	0	0	0
Situation as of Dec. 31, 2012	**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 2012.

31. Related party disclosures

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

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

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

In fiscal year 2012, no companies of the REALTECH Group entered into transactions that require reporting with members of the Supervisory or Executive Boards (see section 28) 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 29 and 30). This is also true of the close family of this group of individuals.

32. Employees

The REALTECH Group had a total of 346 employees on December 31, 2012, while the figure on December 31, 2011 was 329. As an annual average, the company employed 338 people in 2012, and 335 the previous year.

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

According to areas

	31.12.2012	31.12.2011
Product consulting	18	17
Development	54	50
Administration	48	49
Selling and marketing	66	54
Consulting	160	159
	346	**329**

According to regions

	31.12.2012	31.12.2011
USA	15	11
Asia Pacific	54	55
Portugal and Nordic	20	19
Germany	257	244
	346	**329**

33. 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 200 thousand in total for the 2012 fiscal year (previous year: EUR 174 thousand), which is recognized as an expense. Of this amount, EUR 96 thousand (previous year: EUR 84 thousand) is attributable to auditing, EUR 61 thousand (previous year: EUR 59 thousand to tax consulting services and EUR 0 thousand (previous year: EUR 6 thousand) to other confirmation services as defined in Section 314, paragraph 1, point 9b) of the German Commercial Code and EUR 43 thousand (previous year: EUR 25 thousand) to other services as defined in Section 314, paragraph 1, point 9d) of the German Commercial Code.

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

With regard to reports on existing interests that were made for REALTECH AG in the 2012 fiscal year, please refer to the notes of REALTECH AG's annual financial statements as of December 31, 2012.

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

On November 15, 2012, the Executive and Supervisory Boards submitted their eleventh 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).

36. 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.

37. Approval of the financial statements

The financial statements were approved by the Executive Board on March 4, 2013 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, 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 4, 2013
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 2012. The preparation of the consoli-dated financial statements and group management report in accordance with the International Finan-cial 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 4, 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Buhleier
Wirtschaftsprüfer
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7 IT Glossary

Administrator
An administrator provides technical support for a computer system.

App
The abbreviation of the term “application. An app is a small program that users can download to their smartphone or tablet computer.

Big Data
Big data refers to especially large quantities of data that standard databases and data management solutions struggle to cope with. All processing stages for such data – from acquisition, storage and distribution to analysis and visualization – involve major challenges.

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

Business process management
BPM is a 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.

BYOD
“Bring your own device” relates to a trend for employees to use their own private smartphones or tablet PCs within the company network. The background to this is that employees generally own devices that are more powerful than the hardware provided by employers.

Change management
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
A chief information officer (CIO) or IT director is responsible for the strategic and operational management of IT at a company.

Cloud computing
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 a network.

CMDB
A CMDB (configuration management database) saves a company’s entire hardware and software data in a networked manner in accordance with ITIL.

Configuration management
The purpose of configuration management is to operate the entire IT infrastructure centrally. Important tasks and activities include managing existing hardware and software configurations and software distribution.

ITIL
ITIL (IT Infrastructure Library) is a general standard and a series of best practices for effective IT operation.

ITSM
ITSM (IT Service Management) describes all processes, services and software solutions that a company has for IP operation.

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

Migration
Migration refers to 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.

Open source operating system
An open source operating system is license free (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 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
SAP NetWeaver is a software and integration platform for business applications from SAP.

SAP Solution Manager
SAP Solution Manager is 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 platforms
Social media are digital media and platforms in which Internet users exchange and use opinions, experience or information together, and gather knowledge. Examples are Facebook, YouTube, Twitter, Wikipedia and Xing.

System management
System management covers the checking and control of IT infrastructures by suitable software and processes.

7 Financial Calendar

Quarterly Report 1/2013	May 02, 2013
General Meeting, Palatin, Wiesloch, 10.00 Uhr	May 16, 2013
Quarterly Report 2/2013	August 01, 2013
Quarterly Report 3/2013	November 07, 2013
Deutsches Eigenkapitalforum, Frankfurt	November 11 – 13, 2013

Annual Report 2013	March 27, 2014
Quarterly Report 1/2014	May 08, 2014
Quarterly Report 2/2014	August 07, 2014
Quarterly Report 3/2014	November 06, 2014

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This annual report is also available in German. If in doubt, the German version takes preference.

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