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Annual Report 2013

At a Glance

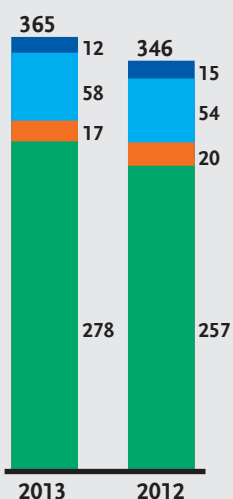
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	2013 TEUR	Δ %	2012 TEUR
Revenue and income			
Revenue	39.143	(2)	39.838
Revenue consulting	25.682	(7)	27.560
Revenue software	13.461	10	12.278
Revenue Germany	27.220	4	26.211
Revenue foreign countries	11.923	(13)	13.627
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(4.947)	(400)	1.648
Earnings before interest and taxes (EBIT)	(6.488)	(1.651)	418
Earnings before taxes (EBT)	(6.718)	(1.417)	510
Profit for the year (attributable to owners of the company)	(7.099)	(3.344)	(206)
Earnings per share (EUR)	(1,32)	(3.344)	(0,04)
Investments and depreciation			
Investments in intangible and tangible assets	917	(5)	964
Depreciation	1.541	25	1.230
Key figures			
Gross margin (%)	39,2	(14)	45,4
EBITDA margin (%)	(12,6)	(406)	4,1
EBIT margin (%)	(16,6)	(1.679)	1,0
Net cash flows from operating activities	(773)	(198)	793
Net cash flows from investing activities	(2.399)	(361)	(520)
Net cash flows from financing activities	(223)	89	(2.079)
	31.12.2013 TEUR	Δ %	31.12.2012 TEUR
Assets, liabilities and equity			
Cash and cash equivalents	7.349	(35)	11.257
Total current assets	18.354	(35)	28.315
Total non-current assets	18.983	(12)	21.503
Total assets	37.337	(25)	49.676
Total current liabilities	13.760	(26)	18.521
Total non-current liabilities	6.486	(1)	6.570
Equity	17.092	(30)	24.519
Equity ratio (%)	45,8	(7)	49,4
Return on equity (%)	(12,3)	(1.486)	(0,8)
Employees	365	5	346

Employees (end of year)

according to regions

- USA
- Asia Pacific
- Portugal and Nordic
- Germany



according to areas

- Product consulting
- Development
- Administration
- Selling and marketing
- Consulting



Revenues (millions EUR)

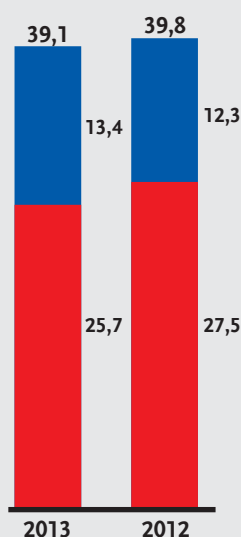
according to regions

- USA
- Asia Pacific
- Portugal and Nordic
- Germany



according to segments

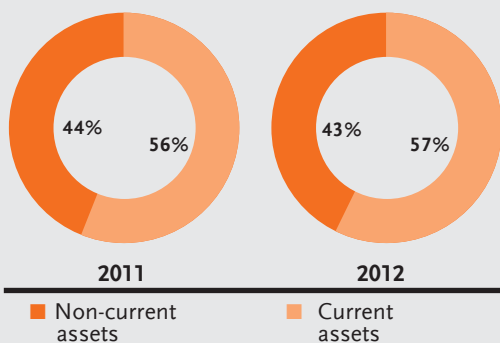
- Software
- Consulting



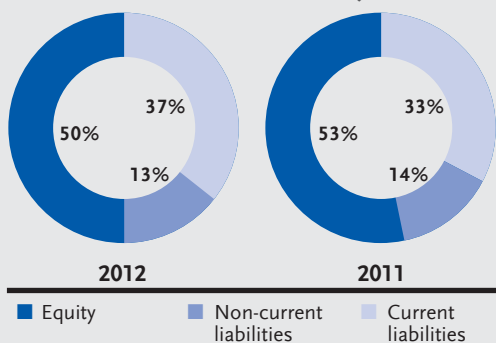
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Consolidated statement of financial position structure (end of year)

ASSETS



LIABILITIES AND EQUITY



Essentials

Our range of services consists of two segments that complement each other perfectly: strategic and technical consulting for IT infrastructures as well as the development of software products for IT service management.

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

Across the world, more than 2,200 customers representing all sizes and industries rely on REALTECH's consulting services and products. These include Sony Pictures, John Deere, Hugo Boss, Heidelberger Druckmaschinen, Fujifilm, Fiat, Generali, Osram, Stihl, Munich RE and Cap Gemini.

The foundation for a successful realignment of the company is in place, with our competent and motivated employees, our in-depth expert knowledge, our tried-and-tested software and the REALTECH brand, which is established on the market, being the key factors that support our market position.

The purpose of the reorganization and strategic development will be to strengthen REALTECH's earning power in the growth market for information technology on a sustainable basis.

The Executive Board assumes that revenue from consulting and software will stabilize and expects revenues for 2014 to be at the previous year's level.

On course toward profitable growth, the 2014 fiscal year will be a transitional period. In view of this, the REALTECH Executive Board expects the Group operating profit (EBIT) for the 2014 fiscal year to improve in the range from minus EUR 1.0 million to EUR 0.0 million.

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Annual Review

Q1



Turbo analysis for Frucor

Consultants from REALTECH supported Frucor, one of the largest beverage manufacturers in the Australasia region, with the implementation of SAP HANA. The software significantly speeds up reports and analyses in the New Zealand-based company's SAP system. Even with very large volumes of data, it is now possible to analyze these in close to real time, in order to respond to changed market conditions in a timely manner, for example.

Great interest at the CeBIT

In 2013, REALTECH exhibited at CeBIT in Hanover, the world's most important and largest IT trade show, under the slogan "IT service management from all perspectives". The numerous expert visitors were particularly interested in the theGuard! solutions. Information regarding training and career opportunities at REALTECH was also in great demand.

Leader in IT management solutions for SAP

An independent study places REALTECH among the top three providers of IT service management solutions for SAP landscapes. Analysts view the theGuard! solution as highly integrated and modular software, with which companies can reduce administration costs and the configuration effort for their SAP landscape.

On a par with large IT groups

In its study, "Mobile Enterprise Vendor Benchmark 2013", the Experton Group rates REALTECH as one of the leading consulting companies for mobile business applications and technologies. With its portfolio and consulting service, REALTECH Consulting provides medium-sized companies and large corporations with an offering that is competitive even compared with significantly larger and better known providers, the market analysts wrote.

theGuard! keeps the SBB's SAP systems on track

Swiss Federal Railways (Schweizerische Bundesbahn, SBB) have implemented the theGuard! IT management software, and thus increased the efficiency of their SAP systems. The future-oriented REALTECH software ensures that all modifications in complex system landscapes remain on track and that system downtimes or irregularities in the course of development work are prevented.



Q2

Shareholder meeting 2013

At REALTECH AG's fourteenth General Meeting in Wiesloch, approximately 200 shareholders and guests received information regarding the current development and potential of the IT company. All resolutions were passed in support of the management.

FZI Research Center for Information Technology is new REALTECH partner

With immediate effect, REALTECH AG and the FZI Research Center for Information Technology, based at the Karlsruhe Institute of Technology, will be researching and developing together in the area of memory databases – with a special focus on SAP HANA. The focus of the cooperation is on concepts for the practical use of these particularly fast, high-performing databases.

Generali reduces cost of operating SAP

REALTECH's IT experts are supporting the insurer Generali in switching its SAP systems to the x86/Linux operating system. The services ranged from a feasibility study before the start of the project to migration of the systems. And we were successful – Generali was able to reduce the costs relating to operation of its SAP systems by up to 30 percent.



Q3

Mayerbacher follows on from Caspary

Thomas Mayerbacher replaced Dr. Rudolf Caspary as Chief Executive Officer (CEO) of REALTECH AG on July 1, 2013. Mayerbacher, who is an industrial engineering graduate, has been a member of the Executive Board since January 1, 2011 and has been responsible for the Finance department until now.

Single Sign-on sweetens SAP system login

Working together with REALTECH, Südzucker AG implemented SAP Net-Weaver Single Sign-on. Now the users only need to log in once to access all SAP applications. The result is that all employees can work significantly more conveniently, the burden on IT Support has been reduced and the IT department has increased the security of the IT infrastructure while reducing costs.

Well insured with theGuard! SmartChange

The Swiss CSS group decided on theGuard! SmartChange to optimize their SAP system. With the REALTECH solution, the insurance company was able to automate its SAP development processes, relieve the burden on the IT team and minimize the risk of system faults.

REALTECH at the annual DSAG congress in 2013

Under the slogan “A new start for your future IT with REALTECH”, the IT service provider was again present at the annual congress of the German-speaking SAP user group DSAG in Nuremberg. At the largest conference for SAP users, the consulting services and software products that are directly tailored to the target group met with great interest from the audience.



Q4

Hensel is the new Chief Financial Officer

Volker Hensel has been the new Chief Financial Officer (CFO) of REALTECH AG since October 1, 2013. Hensel, who has a degree in economics, has been responsible at the company for the areas of Group Accounting, Mergers & Acquisitions and Investor Relations as an authorized signatory since October 1999.

Key role in EU project

The EU commission has called on REALTECH to contribute its SAP HANA expertise and market experience in the EU project CACTOS, which deals with the challenges in the increasingly complex infrastructures in data centers. REALTECH is providing SAP HANA as a research and development platform for the project and will evaluate the suitability of the results for market and industry.

Widespread interest in REALTECH shares

REALTECH gave a presentation at the German Equity Platform in Frankfurt, Europe's most important capital market event for company financing. In numerous discussions, those responsible informed international investors and analysts about the company's developments and strategies. The result was that financial experts showed great interest in REALTECH shares.

Even faster service for Borsig

Borsig, a provider of industrial machines, makes use of REALTECH's many years of consulting experience for the maintenance and further development of its SAP solutions. With the help of the SAP Solution Manager software, REALTECH experts are able to perform all service work for the long-time customer from their company headquarters in Walldorf and respond very quickly to changed requirements and faults around the clock.

Focus on core business

At the end of the year, as part of its restructuring, REALTECH terminates the operations of branches that are currently not profitable. This includes discontinuing REALTECH Singapore and REALTECH Nordic. The Karlsruhe-based subsidiary Timplyfy has been merged with REALTECH Verwaltungs GmbH.





The most important method of management is to listen, actively listen, and for that you need composure – and inner calm.

*Helmut Sihler (*1930),*

Austrian top manager; 1980–92 Managing Director of GF Henke KGaA

Report of the Executive Board

The REALTECH brand stands for highly qualified employees, excellent expert knowledge, practical experience and satisfied customers. For example, in 2013 the Experton Group rated REALTECH as one of the leading consulting companies for mobile business applications and technologies.

Dear shareholders and business partners,

REALTECH has now been focused on supporting IT managers to design and develop future-proof IT infrastructures for 20 years. The cornerstones of our business activities are consulting regarding current IT technologies and development of efficient software products for operating and optimizing complex IT systems. Today, the company is established on the market as a specialist for extremely demanding IT projects with a focus on SAP infrastructures. The REALTECH brand stands for highly qualified employees, excellent expert knowledge, practical experience and satisfied customers.

External studies confirm this verdict: for example, in 2013 the Experton Group rated REALTECH as one of the leading consulting companies for mobile business applications and technologies. Therefore, when it comes to our portfolio and consulting service, our offering is competitive even compared with significantly larger and better known providers. Another independent study placed REALTECH among the top three providers of IT service management solutions for SAP landscapes. Analysts view our theGuard! solution as highly integrated and modular software, with which companies can reduce administration costs and the configuration effort for their SAP landscape.

As the rapid advances in technology are making IT systems increasingly complex, IT managers have to rely on external consultants such as REALTECH if they want to adapt their IT systems to meet the latest challenges. Our consultants see themselves as partners of the IT managers and CIOs. Under the motto “IT4IT”, they ensure that innovative IT systems support our customers’ business objectives and help them to gain a decisive head start in the global competition. Our strategic and technological consulting is ideally supplemented with a second business segment – REALTECH’s software products. This is where our many years of experience in consulting and the expert knowledge of our software specialists comes together, so that REALTECH is now one of Europe’s largest software manufacturers for IT management solutions.



Despite the decline in business in 2013, REALTECH AG can boast a healthy financial base. Furthermore, the Group has no significant or long-term liabilities.

Business development in 2013

In the 2013 fiscal year, REALTECH faced a number of internal and external challenges. For example, according to the German association for the industry, BITKOM, the growth in IT services was not quite as dynamic as expected. At 0.4 percent, the growth in the overall economy was also only half what economists had originally predicted. Internally, after the first few months of 2013, the Executive Board determined that the revenue in the software business segment did not meet expectations. In addition, the market maturity of newly developed technologies was severely delayed. Moreover, the economic situation at the subsidiary in the USA had an additional negative effect on income. As a result, in June we informed the capital market of our expectation of a negative operating profit for the year as a whole.

In the end, REALTECH AG's revenue fell by 2 percent to EUR 39.1 million in 2013. While the IT consulting business fell 7 % to EUR 25.7 million, we were able to improve the revenue from the sale of software by 10 percent, to EUR 13.5 million. In the year under review the operating profit (EBIT) decreased from EUR 0.4 million to minus EUR 6.5 million and EBITDA fell from EUR 1.7 million to minus EUR 5.0 million, while the Group net income dropped from minus EUR 0.2 million to minus EUR 7.1 million.

Despite the decline in business in 2013, REALTECH AG can boast a healthy financial base – net liquidity on December 31, 2013 was EUR 9.4 million, having been EUR 11.3 million on the balance sheet date of the previous year. The equity ratio was a healthy 45.8 percent. Furthermore, the Group has no significant or long-term liabilities.

The reasons for the significant reduction in operating profit are a number of special and one-time effects that affected business development and had a negative impact on EBIT to the tune of EUR 6.3 million. These included unpredictable market and customer changes, such as the reorganization of SAP's sales model, which resulted in REALTECH being unable to achieve license revenue for the SAP IT Infrastructure Management solution in the planned scope. In addition, we ended the Timplify development project as the market maturity of the software could not be reached at the planned speed and ceased our business operations in Singapore and Denmark at the end of 2013 due to uncertain earnings prospects. Further one-time expenses were a result of the fundamental realignment of the company.



In the face of the difficult economic situation in the 2013 fiscal year, the Executive Board, in close agreement with the Supervisory Board, decided on a number of concrete measures to restore REALTECH's earning capacity, permanently strengthen this and continue developing the company strategically.

The Executive Board is convinced that the foundation for a successful realignment of the company is in place.

The realignment

As part of the realignment that we started in 2013, in the future we will bring the Consulting and Software business segments even closer together in terms of operations and integrate them into one portfolio. With this, our sales activities will be synchronized under the umbrella brand REALTECH and thus gain a sharper profile on the market. The Supervisory Board and Executive Board implemented these and other steps after the presentation of the figures for the first quarter suggested that the company would not achieve its forecasts for the fiscal year as a whole.

In the face of the difficult economic situation in the 2013 fiscal year, the Executive Board, in close agreement with the Supervisory Board, decided on a number of concrete measures to restore REALTECH's earning capacity, permanently strengthen this and continue developing the company strategically. The objective of the extensive realignment program was to adapt the cost structure of the Group to the development of revenue and thus create a more efficient and profitable company structure. Thus, we have examined all Group areas and subsidiaries with regard to their sustainability and profitability, analyzed in detail the markets as well as the wishes and requirements of our customers and conscientiously analyzed the company's own portfolio and realigned our sales activities based on the results of these reviews. Meanwhile, in the area of development, the Executive Board has worked together with the employees to define even stronger responsibilities and implemented new structures and processes to provide a solid basis for the Software business segment – and thus to ensure future license revenues as well as sustainable maintenance revenues. In the Consulting segment, the main task is to significantly improve the gross margin. For this reason, we have systematically realigned our entire portfolio to focus on the integration and optimization of SAP systems in selected target markets and plan to adapt our expertise to new requirements in a far-sighted manner. We are also now in a position to support our customers with their cloud, HANA and mobility activities. Furthermore, we have replaced the management at REALTECH USA.

At the same time, in the second half of the year, the Supervisory Board established a financial holding and changed the composition of the Executive Board – on July 1, 2013, Thomas Mayerbacher, previously Chief Financial Officer (CFO), took on the role of Chief Executive Officer (CEO) of REALTECH AG, thus replacing Dr. Rudolf Caspary. In addition, the Supervisory Board appointed Volker Hensel as the new Chief Financial Officer (CFO), effective as of October 1, 2013, thereby completing the transformation of the parent company to a classic management holding company.

The Executive Board is convinced that the foundation for a successful realignment of the company is in place, with our competent and motivated employees, our in-depth expert knowledge, our tried-and-tested software and the REALTECH brand, which is established on the market, being the key factors that



We are still working with strategic partners such as SAP to expand our service portfolio and our visibility on the market. We will, therefore, align our offering even more closely to the integration and optimization of SAP solutions.

support our market position. Numerous successful customer projects in 2013 provide evidence of this. We helped companies from the most varied branches to structure their IT systems more efficiently, increase the security of the IT infrastructure, reduce the burden on IT support and decrease IT costs. These companies included Swiss Federal Railways (Schweizerische Bundesbahn, SBB), Südzucker AG, the provider of industrial machines Borsig, the drinks producer Frucor and the insurance companies Generali and CSS. Across the world, more than 2,200 customers representing all sizes and industries rely on REALTECH's consulting services and products. The focus of our activities continues to be on customers from Germany, Austria and Switzerland as well as the USA, Japan, Portugal and New Zealand. In Spain and Italy, as well as in Asia and South America, our products are sold through partners.

Innovative technology partner for CIOs

From now on, our portfolio will be guided even more closely by the current and future requirements of the IT organization in medium-sized and large companies. With our services, we support customers in establishing an efficient and innovative IT infrastructure and running this reliably. REALTECH will place greater emphasis on presenting itself under a uniform brand as a strategic technology partner for CIOs and, above all, will emphasize its core competencies such as its very significant SAP expertise.

The central element of our strategy will continue to be positioning ourselves as a market-leading expert for selected technologies. In projects, we implement and enhance leading solutions, such as SAP HANA as well as cloud computing and mobile technologies, in order to improve our customers' business development. We will now also question the economic efficiency of new products or research projects more closely and analyze potential market opportunities intensively. It is very important to us to align new products, consulting services and solutions even more closely to the actual requirements and we are thus involved in intense dialog with industry analysts and our customers.

We are still working with strategic partners such as SAP to expand our service portfolio and our visibility on the market. We will, therefore, align our offering even more closely to the integration and optimization of SAP solutions.

Revenue for 2014 expected to match last year's figure

For 2014, the Executive Board is placing a particular focus on stabilizing the company and orienting it towards customers and the future. The primary aim is to guide the company back on track in respect of earnings and achieve profitability that is assured over the long term. We assume that revenue from consulting and software will stabilize and expect revenue for 2014 to be at the previous year's level. As, from our point of view, the 2014 fiscal year represents a transitional period on our course toward profitable growth, we expect to be able to improve EBIT to a range between minus EUR 1.0 million and EUR 0.0 million.



Our fundamentals are good – highly motivated, extremely well educated employees, many years of project experience and a powerful product portfolio are our most important resources.

Our fundamentals are good – highly motivated, extremely well educated employees, many years of project experience and a powerful product portfolio are our most important resources. We will deploy these considerably more than has been the case in previous years, in order to provide clear economic added value for IT managers. The positive feedback from our customers shows that in, concentrating on our core competences, we have taken the right path to achieve economic success again in the coming years.

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



Thomas Mayerbacher
Chief Executive Officer



Volker Hensel
Chief Financial Officer



My job is less about control than providing encouragement and transferring power to people with dreams and visions.

*Jack Welch (*1935), American top manager;
1988–2001 President of General Electric*

Report of the Supervisory Board

As a result of the business figures for the first quarter of 2013, several meetings of the Supervisory Board concentrated on the Group's economic position and discussed specific measures for reorganizing the company and developing its strategic position.

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 2013 fiscal year and the audit results for the 2013 annual and consolidated financial statements. Our meetings and consultations with the Executive Board focused primarily on the current economic position of the individual REALTECH companies, the restructuring measures required, personnel planning in the Executive Board and the future market focus of the company.

In presenting its business figures for the first quarter of 2013 in April there were indications that REALTECH might not achieve its forecasts for the full fiscal year. As a result of this, several meetings of the Supervisory Board concentrated on the Group's economic position and discussed specific measures for reorganizing the company and developing its strategic position. As the continued development of the business confirmed the trend that emerged during the first three months, REALTECH informed the capital market by issuing an appropriate statement about the current situation on June 26. In addition to this, a new Chief Executive Officer was appointed. REALTECH AG assumed the functions of a conventional management holding company once the restructuring of the Executive Board had been completed in September. At the same time, the company was systematically realigned to focus on the integration and optimization of SAP systems in selected target markets. The activities of the Supervisory Board concentrated on restoring REALTECH's earning capacity and strengthening it on a sustained basis.

All tasks and duties diligently met

In the 2013 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 and extensive reports on business performance, the situation with regard to income and



In preparation for the scheduled meetings, the Supervisory Board received regular written reports from the Executive Board. More specifically, the Chairman of the Supervisory Board remained in close contact with the Executive Board, including outside of the meetings.

finance, the employment situation, planning and the ongoing development of the company. In view of the continuing recession in some European countries and the weak performance of the global economy in 2013, the consultations always included the risk situation and risk management. The Executive Board explained deviations from the projected business performance for the individual business areas to the Supervisory Board in detail and demonstrated possible courses of action.

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

Meetings of the Supervisory Board

In the 2013 fiscal year, six ordinary and three special meetings were held. The resolutions of the Supervisory Board were passed at the meetings – with the exception of resolutions passed by way of circulation. 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. With the exception of one special meeting, all members of the Supervisory Board were present at the Supervisory Board meetings.

At the meeting on February 28, 2013, the Supervisory Board considered the provisional figures of the fourth quarter of 2012 and the 2012 fiscal year, as well as the economic development of the individual subsidiaries. The Supervisory Board also discussed the first draft of the agenda for the General Meeting on May 16, 2013 and resolved to propose to the General Meeting to carry forward the net profit to a new account.

In a meeting on March 14, 2013, the Supervisory Board addressed as a matter of priority the financial accounting and Group accounting of REALTECH AG for fiscal year 2012, 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 2012. 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



The third meeting of the Supervisory Board followed the General Meeting on May 16, 2013. This meeting focused on approaches to stop or turn around the performance of low-earning and loss-making areas identified.

In addition to the scheduled Supervisory Board meetings, special meetings were held on April 25, June 4 and November 15, 2013. At the November meeting the first consequences of restructuring were discussed.

and approved the financial statements for fiscal year 2012 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 2013 General Meeting were adopted. Another subject discussed at this meeting was the Executive Board's reporting on the orders received in both business segments and the cost situation, particularly in Germany.

The third meeting of the Supervisory Board followed the General Meeting on May 16, 2013: the Executive Board explained the current economic situation of the individual REALTECH companies and their segments. This meeting focused on approaches to stop or turn around the performance of low-earning and loss-making areas identified.

In the meeting of July 25, 2013, the Executive Board discussed income generated in the first half of 2013 and the outlook for the second half of 2013. In this context, the required restructuring measures were discussed by the Executive and Supervisory Boards. The Executive Board also reported on the OEM partnership signed with SAP.

At the Supervisory Board meeting on September 19, 2013 the focus was on the report produced by the external consultants who had been brought in to assess REALTECH's current situation in Germany, the reorganization required and the future market direction.

At the meeting on December 19, 2013 the Executive Board reported on the results available to date regarding the decisions made since July and the measures instigated in the short and medium term. In this context, the Executive Board presented an initial indication of Group planning for 2014.

In addition to the scheduled Supervisory Board meetings, special meetings were held on April 25, June 4 and November 15, 2013. The aim was to provide the Supervisory Board with timely and regular information on the difficult economic situation of the REALTECH Group. At the November meeting the first consequences of restructuring were discussed.



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 15, 2012, or the version of May 13, 2013 since it came into effect, and passed the 2012 joint declaration of compliance on November 15, 2013. This corresponds to the Code with four exceptions. The complete declaration can be found on the REALTECH website under Corporate Governance, as well as on page xx 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 2013

REALTECH AG's annual financial statements for 2013 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 16, 2013 and engaged as auditor by the Supervisory Board. The same applies to the 2013 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 April 10, 2014 the Supervisory Board approved the consolidated financial statements for 2013, the combined management report for 2013, and REALTECH AG's annual financial statements for 2013, and agreed to the Executive Board's proposal for the appropriation of net profits.



The Chief Executive Officer of REALTECH AG, Dr. Rudolf Caspary, left the company on June 30. Thomas Mayerbacher was appointed as the new Chief Executive Officer: he was previously the Chief Financial Officer (CFO).

The Supervisory Board appointed Volker Hensel as the new Chief Financial Officer (CFO), effective as of October 1, 2013.

Members of the Executive and Supervisory Boards

The Chief Executive Officer of REALTECH AG, Dr. Rudolf Caspary, left the company on June 30, 2013 by mutual agreement with the Supervisory Board. The Supervisory and Executive Boards thanked him for his great dedication, innovations and the work he has put in over the past years. Thomas Mayerbacher was appointed as the new Chief Executive Officer: he was previously the Chief Financial Officer (CFO) and had been a member of the Executive Board since January 1, 2011.

The Supervisory Board appointed Volker Hensel as the new Chief Financial Officer (CFO), effective as of October 1, 2013. Since October 1999, he has been responsible for the areas of Group Accounting, Mergers & Acquisitions and Investor Relations as an authorized signatory at the parent company REALTECH AG. With this step, the company completes the transformation of the parent company REALTECH AG to a management holding company. REALTECH set the course for a sustained improvement in earning power at the same time as ensuring that the product and consultancy portfolio maintained a strict focus on the integration and optimization of SAP systems in selected target markets. The members of the Supervisory Board remained unchanged in fiscal year 2013. 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 2013. We would also like to thank our customers and partners, who have also made a significant contribution to the success of our company.

Walldorf, April 2014
For the Supervisory Board
Daniele Di Croce
Chairman



Daniele Di Croce
Chairman of the
Supervisory Board



Rainer Schmidt



Peter Stier



Instinct is the nose of the mind.

Delphine de Girardin (1804 - 1855), French Writer

Shares

Analysts are predicting that shares will continue to rise in 2014. However, price volatility might be greater than in the second half of 2013.

The stock market in 2013

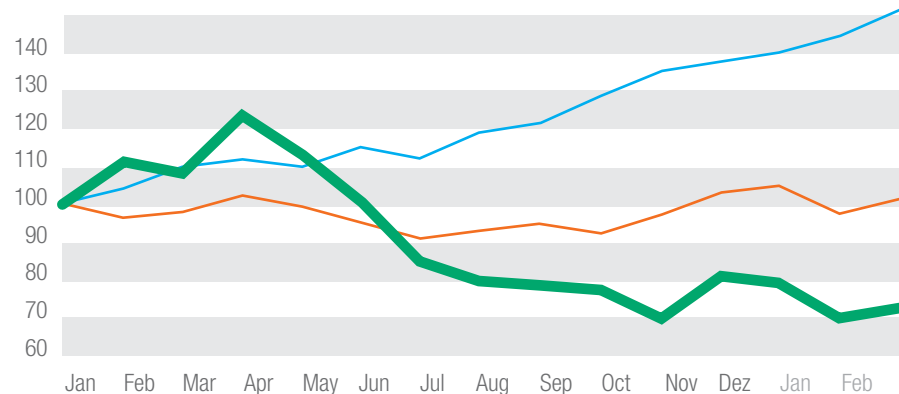
Stock markets were buoyant in 2013, setting new records. In particular, the loose monetary policy of the central banks in the USA, Japan and Europe combined with the low key interest rates have led to significant rises in stock exchanges worldwide. In view of the highly liquid financial markets, many indices repeatedly reached new record levels. The German leading index DAX increased by 25.5 percent in the year under review, while the Euro Stoxx 50 saw an 18 percent rise. The TecDAX even recorded an increase of 40.9 percent, while the MDAX improved by 39.1 percent. However, the most important stock market barometer worldwide, the Dow Jones index, rose by 26.5 percent. REALTECH shares were only able to keep pace with the general upward trend in the first three months and ended down 18.8 percent for the year as a whole. On the foreign exchange market, the euro climbed at the end of 2013 to 1.37 U.S. dollars, up from 1.32 U.S. dollars on December 31, 2012.

Analysts predict DAX will break 10,000 barrier in 2014

Analysts are predicting that shares will continue to rise in 2014. However, price volatility might be greater than in the second half of 2013, in particular if the US Federal Reserve starts to tighten its ultra-loose monetary policy. The result of a survey of 23 banks, investment funds and insurers by the Frankfurter Allgemeine Zeitung was that the respondents expected the DAX to rise to 10,092 points on average. The dpa-afx financial news agency came to a similar conclusion in their survey: taking the average response of the 15 banks surveyed, they expect that the DAX will rise to 10,037 points. Reasons cited for the recent rise include the low rates of interest in the eurozone, the buoyant German economy and the continued high profits of companies in the DAX. Added to this are the improving dynamics of the Asian and US economies. They say that risk factors are a reduction in liquidity by the US Federal Reserve and the eurozone crisis, which is still simmering. The only bank in this survey that expects the DAX to end 2014 lower than at the end of 2013 is Helaba, which is forecasting that the DAX will only end the year at 8,900 points. The reasons they give is that the rise in stock markets is nearing the end of its bull run and the potential for cyclical price rises has already been largely exhausted.

Share price index

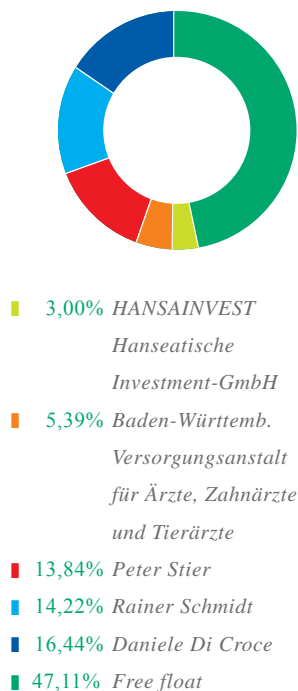
- REALTECH shares
- TecDax
- Prime Software



On the last day of 2012 REALTECH's shares closed at a price of EUR 4.36 and this was the price at the start of 2013. The shares then climbed continuously in a positive environment to a price of EUR 5.67 on March 15, 2013, which was also the highest price of the year – a rise of 26 percent compared to the price at the start of the year. Prior to this, the US Federal Reserve had announced that it would continue its generous monetary policy. The share price then fell to EUR 4.88 on June 26. After a new forecast of business performance was published, the share price started to fall until it reached its low for the year – EUR 2.89 on October 23. In the three weeks that followed REALTECH's share price recovered to EUR 3.77 on November 12 and it ended 2013 at EUR 3.54.

On December 31, 2013, the company's market capitalization stood at EUR 19 million, which corresponded to 112 percent of book equity.

Shareholder structure (as of 31.12.2013)



Shareholder structure and trading volume

The shareholder structure of REALTECH AG changed in the course of the year under review, compared to the end of the previous year: in November 2013, HANSAINVEST Hanseatische Investment-GmbH, Hamburg increased its voting rights to three percent. The Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, based in Tübingen, maintained its holding at a constant level of 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, 2013 was 47.11 percent (previous year: 50.11 percent).

The trading volume of REALTECH shares fell again, with the average number of shares being bought and sold each day decreasing from 8,732 shares in 2012 to 6,438 shares in the year under review – a fall of 26 percent. With a good 75 percent (previous year: 50 percent), in 2013 the majority of REALTECH shares were traded via the electronic trading platform Xetra, whereas all other stock markets combined accounted for a quarter (previous year: 50 percent).

More specifically, the shareholders took decisions on the use of the net profit from the 2012 fiscal year, formal approval of the actions of the Executive Board and Supervisory Board, and the appointment of Deloitte & Touche GmbH as auditor and Group auditors for the 2013 fiscal year.

General meeting 2013

At REALTECH AG's fourteenth General Meeting in Wiesloch on May 16, 2013 approximately 200 shareholders and guests received information regarding the performance of the company. EUR 2,441,055 out of the company's share capital of EUR 5,385,652 was represented, which is equivalent to 45.33 percent (previous year: 55.39 percent). All the Board's resolutions were passed, with only a few votes against and a small number of abstentions. More specifically, the shareholders took decisions on the use of the net profit from the 2012 fiscal year, formal approval of the actions of the Executive Board and Supervisory Board, and the appointment of Deloitte & Touche GmbH, Mannheim as auditor and Group auditors for the 2013 fiscal year.

Transparent information for shareholders and analysts

REALTECH AG greatly values a transparent and professional dialog with its shareholders and the public. For this reason, the company always endeavors to supply institutional investors, private shareholders, potential shareholders and analysts with up-to-date and comprehensive information about economic performance. For this reason, the company is active in organizations such as the German Investor Relations Association (DIRK), which recommends standards for exemplary communication between listed companies and the capital market. In addition, in the year under review, REALTECH took part in shareholder forums and investor conferences, such as the German Equity Forum in Frankfurt, the largest investor fair in Europe. Intensive communications with the capital markets also involves the Directors and investor relations managers holding many individual meetings with existing and potential investors to inform them of economic perspectives. All key facts and data concerning REALTECH can also be found on the company's investor relations website, which is becoming an increasingly significant part of the company's dialog with investors.

Basics

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

The Executive and Supervisory Boards of REALTECH AG will propose to the 2014 General Meeting to carry forward the net profit for the 2013 fiscal year to a new account.

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 AG's retained earnings to shareholders, provided that there are no unusual situations (cash and cash equivalents, planned investments or acquisitions) to consider.

The cost of restructuring the Group is the dominant factor influencing income in the 2013 fiscal year. Within this context, the Executive Board has been much more systematic in focusing on aspects such as high-earning projects and topics and also ending loss-making projects. REALTECH AG's retained earnings reached EUR 0 thousand in the year under review, after EUR 1,146 thousand in 2012.

The Executive and Supervisory Boards of REALTECH AG will propose to the 2014 General Meeting to carry forward the net profit for the 2013 fiscal year to a new account. The two bodies passed these resolutions on April 10, 2014. The General Meeting is to be held in Wiesloch on May 27, 2014.

Outlook

In the 2013 fiscal year REALTECH introduced carefully considered restructuring measures that are likely to bring success. These included the discontinuation of activities that are currently not very profitable and greater concentration on the core business in the second half of 2013. Our focus in 2014 will primarily be the consolidation of the company. The purpose of the reorganization and strategic development will be to strengthen REALTECH's earning power in the growth market for information technology on a sustainable basis. Furthermore, it is important for us to retain and build on the trust of investors. Our employees provide the basis for this, with their high levels of technical expertise and the enhanced service portfolio of the two tried-and-tested business areas of Consulting and Software. It is the opinion of the Executive Board and Supervisory Board that, in 2014 too, these fundamental factors, in conjunction with what is currently a comparatively low share price, make REALTECH shares an interesting option for private and institutional investors.


Shares of the issuer and members of executive bodies as of 31.12.2013

Issuer	REALTECH AG	0 treasury stock
Executive Board:	Thomas Mayerbacher	1.620 shares
	Volker Hensel	1.020 shares
Supervisory Board	Daniele Di Croce	885.500 shares
	Rainer Schmidt	765.500 shares
	Peter Stier	745.500 shares

Key figures	2013 EUR	2012 EUR
Earnings per share	(1,32)	(0,04)
Cash flow per share	(0,46)	0,15
Equity per share	3,17	4,56
Highest share price	5,67	7,18
Lowest share price	2,89	4,05
Share price at year end	3,54	4,36
Market capitalization at year end	19 Mio.	23 Mio.
Number of shares at year end	5.385.652	5.385.652



*There is only one proof of ability -
action.*

Marie von Ebner-Eschenbach (1830-1916)

Austrian Writer

Business Model

IT managers can only justify higher investments within the company, if information technology can be demonstrated to support the aims of the business successfully.

REALTECH specializes in supporting IT managers as they structure their IT infrastructures so that they are fit for the future.

Added value through IT – our business model

Nowadays innovative and highly efficient IT solutions make a crucial contribution to the business success and competitiveness of companies with international operations. Information technology can be used to reduce costs, increase the efficiency of employees and optimize collaboration across sites and departments as well as other benefits. The many changes that a company repeatedly has to deal with play an important role: for example, the effects of new legislation and regulation, the changing purchasing behavior of consumers and the introduction of the company's own new products. Challenges such as these require organizations to examine their own processes at regular intervals – and to support new workflows in a targeted manner with high-performing IT systems that can be deployed flexibly. This allows them to coordinate logistics processes even more accurately, accelerate the development of new products or improve customer service even further.

As the senior IT manager, the CIO is responsible for ongoing optimization of the IT systems. His responsibilities range from service and support processes for the users' PC workstations to systematic development of the entire IT infrastructure, which is closely aligned to the company's strategic objectives. IT managers can only justify higher investments within the company, if information technology can be demonstrated to support the aims of the business successfully.

REALTECH – the expert partner for IT managers

IT systems used in computer centers are becoming increasingly complex as a result of the rapid advances in technology. CIOs therefore have to rely on external consultants such as REALTECH if they want to keep optimizing their IT environment and developing it further – and thus maintaining their company's competitive advantage with the help of modern IT solutions. REALTECH specializes in supporting IT managers as they structure their IT infrastructures so that they are fit for the future.

However, ongoing scrutiny should not only be reserved for the technologies deployed. An increasing number of IT managers devote their effort to designing workflows within their own IT organization so that they are more efficient and cost-effective. This includes the automation of repeated workflows in the computer center, which are intended save IT experts from having to carry out routine tasks so that they can have more time to devote to the strategic development of



Our consultancy services include the development of innovative IT systems, which help customers to gain a crucial advantage over global competitors.

the IT system as a whole. Automation is one of the key prerequisites required for companies to utilize innovative technologies such as cloud computing. At the same time, the IT organization must also be able to deliver services such as the provision of a new software application or the creation of a new user account to the same quality standards. Precise definition of costs is also required. This is the only way that the work undertaken by the department can be invoiced accurately to the ordering party – either the user department in house or an external customer.

REALTECH's core business has always been consultancy in current IT technologies, even when the company was founded back in 1994. Then as now, our employees have always stood out because of their outstanding expertise and strong track record in IT consultancy work. For over 20 years IT managers have been able to rely on our experts giving them competent advice on the profitable deployment of up-to-date IT systems. Since then, REALTECH has also impressed its customers with another special skill: our high level of expertise in SAP technologies and solutions. The fact that REALTECH consultants are very welcome when it comes to extremely complex projects can largely be attributed this skillset.

Always in touch with the times

With our highly specialized employees and market-leading products, we ensure that innovative IT systems support the business goals of multinational customers. Our range of services consists of two segments that complement each other perfectly: strategic and technical consulting for IT infrastructures as well as the development of 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.

Internally REALTECH is organized in Consulting and Software units. However, we present ourselves as one company and offer our services across segments – concentrating on our customers' requirements. Our consultancy services include the development of innovative IT systems, which help customers to gain a crucial advantage over global competitors. The close partnership with SAP and the systematic professional training of the company's employees form the basis upon which REALTECH presents itself consistently as an expert contact partner for current technology trends and SAP solutions.

An important unique selling point of REALTECH continues to be its outstanding technical expertise in SAP software and system architecture, combined with knowledge of how customers can implement innovative technologies profitably. Our consultants are internationally recognized experts in future-oriented and technological topics, including cloud computing and Big Data, and have the highest competencies in SAP technologies including SAP HANA, SAP Mobile and SAP Portals. REALTECH's IT experts also integrate mobile terminal devices such as smartphones and tablet PCs into the infrastructure so that users in the company can use modern IT solutions even more efficiently.



REALTECH is now one of Europe's largest software manufacturers for IT management solutions. Some of our software products have been especially designed for SAP applications.

REALTECH has valuable resources with highly motivated and well trained employees as well as a unique product portfolio. We will deploy these considerably more in 2014 than has been the case in previous years, in order to support the requirements of IT departments.

Greater quality and security with theGuard!

IT managers have known for years that REALTECH's experts have outstanding consultancy skills. Parallel to this, an increasing number of customers rely on theGuard! software developed by REALTECH – a product family for the management of complex IT environments, which is unique in the world. The theGuard! solutions 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 as well as automating core processes in their IT organization. Our customers consider that theGuard! is one of the most efficient system management systems anywhere in the world.

REALTECH is now one of Europe's largest software manufacturers for IT management solutions. Some of our software products have been especially designed for SAP applications and 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 that companies use to monitor their entire SAP infrastructure. After sales started well in 2012, SAP has been successful internationally with this software. In December 2013 REALTECH acquired the right to sell the SAP solution, thanks to the company's status as an SAP Channel Partner, and this provides the new opportunities for sales.

Customers and markets

Across the world, more than 2,200 customers representing all sizes and industries rely on REALTECH's consulting services and products. These include Sony Pictures, John Deere, Hugo Boss, Heidelberger Druckmaschinen, Fujifilm, Fiat, Generali, Osram, Stihl, Munich RE and Cap Gemini. The focus continues to be on companies from Germany, Austria and Switzerland as well as the USA, Japan, Portugal and New Zealand. Our solutions are sold in Spain and Italy through a partner contract.

In 2014 REALTECH's strategy will be guided to a very large extent by the requirements of IT managers in medium-sized and large companies. We will place greater emphasis on presenting ourselves through a standardized presence in the marketplace as an innovative technology partner for IT managers and, above all, we will emphasize our core competencies such as our very significant SAP expertise. Our consultants and software experts will work even more closely together in future in order to show customers where there is clear added value. Over and above this, we will, in future too, adopt the core developments of the IT market and convert these into consultancy services, which offer IT managers measurable advantages.

REALTECH has valuable resources with highly motivated and well trained employees as well as a unique product portfolio. We will deploy these considerably more in 2014 than has been the case in previous years, in order to support the requirements of IT departments. By concentrating on the core competencies, combined with positive feedback from numerous customers, REALTECH considers that it is in a very good position to achieve sustainable and successful development in the next few years.



*Good medicine tastes bitter,
but a wise person takes it
when it is prescribed;
honest words are uncomfortable for the ear,
but an enlightened person listens to them.*

Han Fei Tse (290-233 BC),

Chinese prince of the Han dynasty and philosopher

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 been reduced compared to the previous year due to the exclusion of the following companies:

- Timplify GmbH, Karlsruhe, Germany
- REALTECH Nordic ApS, Copenhagen, Denmark
- REALTECH System Consulting Pte. Ltd., Singapore

Of these, Timplify GmbH was merged with REALTECH Verwaltungs GmbH on November 29, 2013 to take effect respectively as at March 31, 2013. The activities of REALTECH Nordic ApS and REALTECH System Consulting Pte. Ltd. both ceased on December 31, 2013.

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, which are represented by the “Other” business segment.

Consulting business segment

An important unique selling point in favor of REALTECH is the combination of specialist technical knowledge of SAP and supplementary process and architecture 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 solution 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 fifteen 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 one of the largest manufacturers of IT service management solutions in Europe.

Customers view the theGuard! products as one of the most high-performing solutions worldwide. SAP is also marketing selected theGuard! components 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 managers of business segments 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 managers of business segments are informed each month about the development of key parameters and operational leading indi-

cators of the Group and its business areas. The focus here is on the comments relating to developments or deviations from targets with regard to revenue, costs, income, personnel, investments and other key performance indicators. Information is based on a management information system (MIS).

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

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. Where significant, income-related changes within a field of observation occur, appropriate reports are sent to the Executive Board and the management immediately.

EMPLOYEES

Well-trained and skilled specialists will continue to be in demand in the IT sector. This is particularly true for qualified SAP consultants. However, in practice, there is a lack of such experts in Germany: at the end of 2013, the federal association for the industry, BITKOM, calculated the number of job vacancies for IT experts to be 39,000. According to BITKOM President Prof. Dieter Kempf, the lack of skilled labor is a structural problem: "This situation is permanent and is largely unaffected by the economic situation." The position remained the same as in 2012: half of ICT companies surveyed by the association responded that there is currently a shortage of IT specialists and this will get worse. Around 16,000 posts are vacant in the industry, 13,800 of which are in the software and IT services sector.

In the coming year too, IT companies such as REALTECH must raise their profile in the labor market and present their own organizations as attractive employers.

Development of REALTECH employees in 2013

REALTECH AG thus had a total of 365 employees on December 31, 2013, five percent more than at the end of 2012 (346). Out of these employees, 278 worked



in Germany, compared to 257 employees on December 31, 2012. This means that 76 percent of the company's employees work in Germany (previous year: 74 percent) and 24 percent are based at REALTECH's international sites (previous year: 26 percent). Fluctuation has dropped noticeably: in the year under review, it was 13 percent, compared to 22 percent in 2012. Growth in the number of employees within the Group and fluctuation are clearly influenced by developments in the German consulting segment. The main reasons for moving jobs continue to be as a result of family changes.

Strengthening the REALTECH brand

REALTECH is actively committed to creating a positive work environment for its employees. Consequently, the company has gained a reputation for being a popular employer. Versatile and technologically oriented consultants also feel at home in an environment with likeminded people such as specialist software developers. Consultants primarily focus on SAP technologies in the Consulting segment, taking account of new trends such as SAP HANA, cloud computing and mobile SAP solutions. In the Software segment the focus continues to be on new technologies, the product partnership with SAP and the further development of the company's own software for monitoring complex IT infrastructures.

REALTECH's employees are soon given the opportunity to take on responsibility. They are also given excellent opportunities for development and career progression. As soon as they join the company, new colleagues are part of a professional induction process. In-house training sessions, specialist groups, blogs and other information platforms, including with international colleagues, promote the exchange of ideas. This culminates in the two-day annual Consulting Event, when all REALTECH consultants can share ideas. Employees of the German companies also met in fall 2013, when the theme of the all-day event was "REALTECH-MehrWert mit Dir!" (REALTECH Added Value with You!), where there was an opportunity to discuss the future direction of the company in terms of topics, organization and culture.

The working atmosphere at REALTECH is characterized by an open, honest and helpful atmosphere among colleagues. Events unrelated to work also contribute to this pleasant environment: for instance, many REALTECH employees have taken part in the BASF FIRMENCUP, the metropolitan area's team race held at the Hockenheimring. In contrast, others have participated in volunteers' day for the second time and worked with young people from the "Anpfiff ins Leben" charity to renovate the barbecue area of Offene Hilfe Wiesloch.

High commitment to training and further education

REALTECH places great emphasis on comprehensive and varied training in order to prepare its employees for future challenges at an early stage. The spectrum of qualifications ranges from specialist software training courses to methodological training in the fields of project and risk management. The company's own

STEP-IN training and further education program, started in 2007, continues to be successful: in the year under review REALTECH held two courses to train new employees as SAP consultants and taught them professional and social skills as well as important methods. The STEP-UP program to train experienced consultants for the role of a senior consultant has also become established and it is supplemented by the Consultants Council. Here experienced consultants can suggest new ideas and discuss these with the management.

Conventional vocational training is a further pillar: in summer 2013 REALTECH gave all trainees who had finished their apprenticeships permanent jobs and more young people joined the apprenticeship scheme in September 2013. In the year under review three students also started degree courses at the Baden-Württemberg Cooperative State University Karlsruhe. At the same time, REALTECH again awarded three bursaries to students of the Mannheim University of Applied Sciences in line with the Mannheim model. The number of working students also grew overall, and these students contributed current know-how from universities to consultancy and software projects.

In 2013 the IT service provider was again represented at the world's largest IT show – CeBIT in Hanover – in order to recruit up-and-coming young employees. The company also attended various University careers fairs all over Germany. In addition, REALTECH provided young people with information about training opportunities, degrees from a university of cooperative education (Berufsakademie) and later fields of activity at the Walldorfer Nacht der Ausbildung (Walldorf Night of Training). The company was also present at the “Heimspiel Sportler:Azubis” event organized by “Anpfiff fürs Leben”, a combination of a football tournament and an apprenticeship recruitment fair in the region.

Employees attaining and expanding competencies

In 2014, REALTECH is planning to build on its positive image as an employer and continue its intensive personnel marketing in order to continue to recruit specialist employees. In addition to this, REALTECH will award three places to students at the university of cooperative education in 2014. Apart from these activities, the company endeavors to retain the loyalty of employees and continue to develop their technical expertise. The measures undertaken include opportunities to attain and expand competencies, in particular in the fields of management, communication and project work. REALTECH will also optimize internal processes in the human resources department in order to secure the sustainability of the company in the long term.

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 and opportunity management in complex SAP system environments. The software operates 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 allows systems to be monitored permanently and alerts IT administrators early in the event of an error, as well as managing controlled and safe importation of changes into SAP applications. An important characteristic of REALTECH solutions 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: the theGuard! Service Management Center is one of the core elements within theGuard! product family, which helps IT departments to deliver IT services and user support of the highest possible quality. We continue to develop the software in line with customers' requirements – and, in 2013 too, new functions have been added to upgrade the software.

In February 2013 REALTECH presented an enhancement to theGuard! Service Management Center, which made it possible to analyze aspects such as data flows in networks even more accurately. As an example, one advantage it offers is that it allows IT experts to ascertain more easily which software applications put a heavy load on the network and are responsible for slowing down the workstations. Existing functions have also been enhanced that allow IT staff to analyze the performance of systems within a computer center, even remotely. IT service providers therefore find it even easier to look after their customers' computer systems via remote maintenance.

In April 2013 REALTECH's development department had already published the next innovation for theGuard! Service Management Center. Extended functions for reporting make it even easier for customers to access extensive reports on the IT services and system availability provided.

A substantially enhanced version of theGuard! SmartChange software solution was launched in September 2013. The solution is specially designed to support the maintenance and further development of SAP programs and now offers even greater security during development work. theGuard! SmartChange can now test new functions implemented in SAP programs for possible errors, in other words before the IT department has made the software available to all users in the company. SAP managers can therefore adjust revenue-critical applications to new requirements so that they are fail-safe and efficient, thus avoiding downtimes.

In 2013 REALTECH also entered into a research and development partnership with the FZI Research Center for Information Technology in Karlsruhe. The aim of the shared activities is to develop scenarios and system architectures that showcase the advantages of the ultra-fast in-memory databases. Deployment of the SAP HANA solution is a key area of research. With this initiative REALTECH is ensuring that it will retain its lead when it comes to expertise in SAP HANA, one of SAP AG's core technologies with excellent future prospects.

As a participant in the EU's CACTOS (Context-Aware Cloud Topology Optimization and Simulation) project, since November 2013 REALTECH has also been contributing its Cloud expertise and practical experience to the working group, which consists of six companies in total. The project initiated by the European Commission is examining the challenges that come about as a result of the increasing complexity of large computer centers. This includes, for example, the most energy-efficient way of operating cloud computing computer centers. The project will run for 36 months and will help REALTECH to expand its own expertise in the development of high-performing cloud and IT architectures.

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 the 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 2013 fiscal year, investment in Research and Development (R&D) was EUR 5,111 thousand. Compared to the previous year (EUR 4,364 thousand) this expenditure rose by 17 percent. Accordingly, R&D activities as a share of total revenue increased from 11 to 13 percent. On December 31, 2013, the Group employed 64 people in the area of Research and Development at its Walldorf, Karlsruhe and Schweitenkirchen sites in Germany (previous year: 54 employees). Cooperation agreements with REALTECH Portugal as a development site (2 employees) and collaboration with the partner EBS in Romania for support and development (9 employees) were continued by the R&D department.

Prospects

REALTECH is planning to continue to develop its existing product portfolio on the basis of market and customer requirements. In addition to this, we will align our offering even more closely to the integration and refining of SAP solutions within the context of our partnership with SAP.



The company's own R&D activities concentrate on the current megatrends in information technology such as Big Data, mobile computing and cloud computing. IT departments must adapt their own procedures and the software tools deployed to the changes that are emerging from the more widespread use of these technologies. REALTECH will therefore place greater emphasis on developing products that focus on the monitoring and management of modern IT environments. These also include software solutions that allow IT departments to operate innovative systems such as SAP HANA so that they are fail-safe and efficient.

However, changes are not only taking place behind the locked doors of the computer center. An increasing number of people are using smartphones and tablet PCs so that they can work and communicate on the move. A result of this is that R&D activities are focusing on secure and efficient ways of integrating mobile terminal devices into an IT infrastructure. This is how REALTECH is assisting its customers to establish modern workplaces.

In the future, too, REALTECH will continue to be guided by IT managers' requirements and provide them with the best possible support to operate a fail-safe and innovative IT infrastructure. This is important because an increasing number of business processes today depend on an efficient IT infrastructure – and consequently the ability of a company to be innovative and competitive.

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 0.4 percent in 2013. The statisticians explained that the German economy was above all affected by the ongoing recession in some European countries and slowdown in economic development worldwide. Strong domestic demand has only been able to partially compensate for this. However, following the period of weakness during the previous winter, the economic situation improved over the course of 2013. The federal government therefore believes that the German economy will begin to expand again in 2014. It has "embarked upon a stable and broad path to recovery," stated German Economics Minister Sigmar Gabriel upon presenting the annual economic report of the federal government in February 2014. In view of this, the Federal Ministry of Economics predicts a growth rate of 1.8 percent for the German economy in 2014, as does the Halle Institute for Economic Research (IWH). The Rheinisch-Westfälische Institut für Wirtschaftsforschung (RWI) is somewhat more reserved, forecasting 1.5 percent increase in GDP in Germany.

These expectations are on a par with those of the International Monetary Fund (IMF), which predicts a growth rate of 1.6 percent for the German economy in

2014. At the same time, it predicts that the eurozone will leave the recession behind and begin to recover at a rate of 1.0 percent. A similar figure (plus 1.1 percent) is stated in the forecast of the World Bank for the eurozone. Both organizations are much more optimistic with regard to the global economy, for which the IMF predicts a growth rate of 3.7 percent and the World Bank a growth rate of 3.2 percent. The main reasons stated for this are the economic turnaround in industrialized countries and the recent strength of emerging nations. For example, IMF analysts forecast growth rates of 2.8 percent in the USA and 1.7 percent in Japan. One key economic powerhouse continues to be China, whose economy is expected to expand by 7.5 percent.

Forecasts for the IT sector are similarly positive, with the prestigious market research company Gartner predicting that global IT expenditure (including telecommunications) will rise in 2014 by 3.1 percent to 3.8 trillion US dollars. The strongest growth will apparently be seen in the corporate software segment, in which expenditure is set to be up 6.8 percent to 320 billion US dollars. This will be followed by the area of IT services with a 4.5 percent increase to 963 billion US dollars. Market researchers at IDC expect global IT expenditure to increase by more than 5 percent to 2.14 trillion US dollars, just under half of which can be attributed to mobile devices such as smartphones and tablet PCs. From a regional perspective, the situation is set to improve in particular in China, the USA and Europe. In Western Europe, for instance, we can expect a 3 percent increase in IT expenditure, which will above all be powered by growing sales of corporate software. For the German IT, telecommunications and entertainment electronics market, the German association for the industry, BITKOM, forecasts a 1.7 percent increase in 2014 to EUR 153.4 billion, with information technology expanding by 2.9 percent to EUR 76.3 billion.

REALTECH in fiscal year 2013

In the forecast for the 2013 fiscal year REALTECH AG assumed that, compared to the 2012 fiscal year, revenues would be up by around 20 percent to EUR 47.9 million and that it would be possible to improve the EBIT in the group from EUR 0.4 million to EUR 2.1 million.

It was planned to increase revenues in the Consulting business segment by 11 percent from EUR 27.6 million to EUR 30.5 million and to improve the EBIT from EUR 2.0 million to EUR 2.5 million. In the Software business segment a 42 percent rise was planned to take growth from EUR 12.3 million to EUR 17.4 million and EBIT from EUR 0.0 million to EUR 1.2 million. Costs that cannot be directly allocated (other segment) were forecast to rise from EUR 1.5 million to EUR 1.6 million.

A more powerful SAP distribution channel for theGuard! software and the successful positioning of new consulting topics on the market were important assumptions on which the planning for the 2013 fiscal year were based.



In the spring of 2013, SAP reorganized its sales model, a development not anticipated by market observers. This directly affected REALTECH, because license revenue within the framework of the OEM partnership with SAP for the SAP ITSM product (IT Service Management) could not be achieved as planned. The investments made by REALTECH in relation to this since 2010 therefore generated only low revenues. This negatively impacted the operating profit in 2013 by about EUR 1.2 million.

Development projects and research activities launched in 2013, such as the new IT solution Simplify for simplified IT management, were terminated. According to original planning, investments from operational cash flow were to cover this in the 2013 and 2014 fiscal years. As market maturity was not reached as quickly as planned, the Executive Board halted the project, which led to a loss of EUR 1.7 million at operating profit level.

In view of the expected business development for the remainder of 2013, the company began a fundamental reorganization in the second half of the year. Among other things, the Supervisory Board appointed a new Chief Executive Officer and Chief Financial Officer and established a financial holding.

Following an extensive analysis, the Executive Board decided to cease business operations in Singapore and Denmark as a result of the earnings prospects in the second half of 2013. Together, the two 100% subsidiaries achieved a negative EBIT of EUR 0.3 million.

Under the management of the financial holding, profit-oriented, organizational and HR measurements were carried out. These included a review of the profitability of all Group areas and subsidiaries, detailed analyses of the markets and the company's own portfolio and a realignment of sales activities. The aim of these measures was to orient the REALTECH Group more closely to the requirements of the IT market and thus to secure profitability over the medium and long term. The realignment required for REALTECH impacted the 2013 operating profit by EUR 2.5 million.

Without the special effects of the Group's realignment amounting to around minus EUR 4.5 million, the operating profit (EBIT) for the 2013 fiscal year was minus EUR 1.9 million and was therefore approximately EUR 4.0 million less than the EBIT originally planned for the 2013 fiscal year. Important reasons for these deviations from the operational plan were, in Germany, primarily the loss of revenues from the SAP ITSM product, which could not be achieved as planned because of the termination of a major project in the Consulting business segment due to the reorganization at SAP, and, abroad, as a result of significant failures to meet the planned targets at REALTECH USA as a result of errors by the management. The table below summarizes the special effects described and the operational special influences on the segment results:

	Consulting Segment TEUR	Software Segment TEUR	Other Segment TEUR	Total TEUR
Expenditure for realignment	1.200	496	766	2.462
Simplify	-	1.735	-	1.735
Nordic	-	68	-	68
Singapore	276	-	-	276
Special effects of the realignment	1.476	2.299	766	4.541
SAP ITSM	-	1.200	-	1.200
Termination of major project	1.040	-	-	1.040
Other special effects	0-	-	300	300
Operational special effects	1.040	1.200	300	2.540
Total	2.516	3.499	1.066	7.081

Forecasts for the 2013 fiscal year were adjusted through ad hoc reports issued for the quarterly financial statements in July and October 2013. The last forecast was a negative operating profit of a low single-digit million figure. Key reasons for the unexpected further deterioration in the operating profit to minus EUR 6.5 million by the end of 2013 were, firstly, an unexpected termination of a major project because of a lack of cooperation on the part of the customer in the Consulting segment, which resulted in a heavy loss in December 2013. Secondly, in October 2013 it was not possible to estimate the full scope of the expenditure for the realignment of the Group with sufficient accuracy.

EARNINGS

Group business development

	2013 TEUR	2012 TEUR
Revenue	39.143	39.838
Gross profit	15.352	18.090
Selling and marketing expenses	(11.053)	(8.222)
Administration expenses	(5.734)	(5.438)
Research and development expenses	(5.111)	(4.364)
Other operating expenses	(1.012)	(972)
Other operating income	1.070	1.324
Operating profit	(6.488)	418
Finance income	(230)	92
Gains or losses relating to continuing operations (before tax)	(6.718)	510
Income tax expenses	(263)	(474)
Profit for the year	(6.981)	36
Special effects from the realignment	4.541	-
Profit for the year before special effects from the realignment	(2.440)	36



In fiscal year 2013, the REALTECH Group's **revenue** was EUR 39,143 thousand, 2 percent lower than in the previous year (EUR 39,838 thousand).

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 fell by 7 percent from EUR 27,560 thousand to EUR 25,682 thousand, which was in particular caused by lower capacity utilization of consultants compared to the previous year and the termination of a major project in the Consulting segment. Consulting contributed 66 percent (previous year: 69 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 13,461 thousand, which was 10 percent more than for the previous year (EUR 12,278 thousand). Software's share of total revenue rose from 31 percent to 34 percent.

The **cost of sales** is primarily made up of personnel expenditure for consultants 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 9 percent from EUR 21,747 thousand to EUR 23,791 thousand. Based on revenue, the figure increased from 55 percent to 61 percent. The higher cost of sales can be attributed to the increase in the number of employees compared to the previous year as well as the expenditure for the realignment of the Group.

Gross profit fell by 15 percent, from EUR 18,090 thousand to EUR 15,352 thousand, chiefly as a result of decreased capacity utilization among our consulting experts in comparison to the previous year as well as the termination of a major project in the Consulting segment. Relative to revenue, this figure decreased from 45 percent to 39 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 34 percent to EUR 11,053 thousand (previous year: EUR 8,222 thousand) and represented 28 percent of revenue (previous year: 21 percent). This increase was primarily the result of the expansion of our sales team and marketing activities following the intensification of our direct marketing as well as expenditure for the realignment of the Group.

Administrative expenses chiefly comprise personnel expenses in support of our financial and administrative roles as well as expenditure on our infrastructure. These increased by 5 percent from EUR 5,438 thousand to EUR 5,735 thousand.

As a percentage of total revenue, this figure thus increased from 14 percent to 15 percent. The reasons for this can essentially be attributed to investment in the IT environment, the increase in the number of employees and expenditure for reorientation.

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 R&D activities. In the year under review, REALTECH invested EUR 5,111 thousand in research and development. This represents an increase of 17 percent compared with the previous year's figure of EUR 4,364 thousand. As a share of revenue, this expenditure rose from 11 percent to 13 percent. Apart from the rise in the number of employees, the increase in research and development costs can primarily be attributed to the Group's realignment.

Other operating expenses rose by 4 percent from EUR 972 thousand to EUR 1,012 thousand. These consisted mainly of expenses from operating lease agreements, exchange rate losses and expenses from deconsolidation. **Other operating income** essentially comprises rental income from the use of the office building in Walldorf by third parties and currency gains. This decreased by 19 percent from EUR 1,324 thousand to EUR 1,070 thousand.

In addition to other minor effects, the issues described above had the result that **operating profit (EBIT)** fell in the 2013 fiscal year to minus EUR 6,488 thousand (previous year: EUR 418 thousand). This decrease comprises a decline in gross profit on revenue by EUR 2,738 thousand and a simultaneous increase in balances from operational expenditure by EUR 4,168 thousand. **EBITDA** decreased from EUR 1,648 thousand to minus EUR 4,947 thousand.

This development had the following implications for the segments: **Segment income in consulting** fell from EUR 1,953 thousand to minus EUR 2,476 thousand. The operating margin was minus 10 percent (previous year: 7 percent). **Segment income in software** fell from minus EUR 1 thousand to minus EUR 1,855 thousand. The operating margin was therefore minus 14 percent, compared with 0 percent in the previous year.

The substantial decline in consulting segment income can be attributed to the fact that the planned capacity utilization of consultants could not be achieved. On top of this, we had to terminate a major project in Germany at the end of the year due to a lack of cooperation on the part of the customer and a loss of around EUR 1 million was recorded.

In other respects we refer to the explanations on the reasons for deviations for the operational plan in the section "REALTECH in the 2013 fiscal year".

The **finance income** was minus EUR 230 thousand, having been EUR 92 thousand in the previous year. This is made up of interest income and interest expenses. The interest income of EUR 76 thousand (previous year: EUR 416



thousand) was primarily a result of loans and other financial receivables (cash and cash equivalents). This decrease was primarily due to the special effect the previous year resulting from improved interest conditions for finance leasing. The interest expenses of EUR 306 thousand (previous year: EUR 324 thousand) mostly comprised financial liabilities.

Income tax expenses decreased from EUR 474 thousand to EUR 263 thousand. This was essentially due to the deterioration in earnings as well as the consideration of a finished audit in Germany. This figure is composed of the actual tax income of EUR 1,409 thousand (previous year: tax expenses of EUR 652 thousand) and the deferred tax expenses of EUR 1,672 thousand (previous year: EUR 178 thousand). The deferred tax expenses essentially result from the derecognition of capitalized deferred taxes carried forward as losses from previous years.

Net income fell from EUR 36 thousand to minus EUR 6,981 thousand. This reflects the overall effect of the lower operating profit and financial income combined with lower income tax expenses.

The net income due to parent company shareholders fell from minus EUR 206 thousand to minus EUR 7,099 thousand. The annual net income due to non-controlling shareholders decreased from EUR 242 thousand to EUR 119 thousand. The reason for this is that the earnings of REALTECH Japan Co., Ltd., in which REALTECH AG retains an unchanged shareholding of 54.1 percent, were approximately half the level of the previous year.

Based on the average number of 5,385,652 shares, this amounts to **earnings per share** of minus EUR 1.32 (previous year: minus EUR 0.04 at 5,385,652 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 2013, the regions recorded the following revenue developments: Revenues recorded in **Germany** rose by 4 percent to EUR 27,220 thousand (previous year: EUR 26,211 thousand). This means that 70 percent (previous year: 66 percent) of the Group's revenue was generated in Germany. Die REALTECH revenue generated abroad decreased by 13 percent to EUR 11,923 thousand (previous year: EUR 13,627 thousand). The share of total revenue was 30 percent (previous year: 34 percent).

In the **Portugal and Nordic** region, the subsidiary's revenue fell by 25 percent from EUR 583 thousand to EUR 438 thousand. The region's share in Group

revenue remained at 1 percent. In the **USA** our company generated revenue of EUR 2,069 thousand following EUR 2,646 thousand in the previous year (minus 22 percent). This region's contribution towards Group revenue also fell from 7 percent to 5 percent. Revenues in the **Asia-Pacific** region, at EUR 9,416 thousand, were 9 percent lower than in the year 2012 (EUR 10,398 thousand). This region's contribution towards Group revenue decreased from 26 percent to 24 percent.

The development of income in the individual regions was as follows: in **Germany**, gross profit fell by 9 percent from EUR 13,126 thousand to EUR 11,965 thousand and the gross margin decreased from 50 percent to 44 percent. Selling and marketing expenses rose by EUR 2,767 thousand or 45 percent, while administrative expenses rose by EUR 732 thousand or 19 percent and research and development costs increased by EUR 844 thousand or 21 percent. Overall, the contribution of the German REALTECH companies to Group EBIT fell from minus EUR 438 thousand to minus EUR 6,268 thousand.

The operating profit achieved by the **Portugal and Nordic** region decreased from EUR 65 thousand to minus EUR 152 thousand. This change can primarily be attributed to the lower consultant capacity utilization in Portugal, as compared to the previous year. The poor operating profit in the USA in 2012 (minus EUR 345 thousand) was exceeded in the year under review with an EBIT figure of minus EUR 642 thousand, caused partly by lower capacity utilization among consultants. Management weaknesses also played a role; however, we were able to deal with these in the second half of the year. The Asia-Pacific region likewise recorded a decline in EBIT: from EUR 1,273 thousand to EUR 749 thousand. This included another improvement in EBIT in New Zealand (from EUR 233 thousand to EUR 346 thousand), whereas declines were recorded in Japan (from EUR 1,027 thousand to EUR 497 thousand) as well as in Singapore (from EUR 13 thousand to minus EUR 94 thousand). Expenses (EUR 181 thousand) and income (EUR 5 thousand) from deconsolidation of the companies in Singapore and Denmark (Nordic) were not allocated to the results in the regions.

FINANCIAL SITUATION AND ASSETS

Consolidated statement of financial position structure

	31.12.2013 TEUR	31.12.2012 TEUR
ASSETS		
Total current assets	18.354	28.173
Total long-term assets	18.983	21.503
Total assets	37.337	49.676
LIABILITIES AND EQUITY		
Total short-term liabilities	13.759	18.521
Total long-term liabilities	6.486	6.570
Total liabilities	20.245	25.091
Total equity	17.092	24.586
Total liabilities and equity	37.337	49.676

Compared with the figure for the same day in the previous year, the **sum of all assets** fell by 25 percent, from EUR 49,676 thousand to EUR 37,337 thousand. Reductions in liquid funds (by EUR 1,908 thousand), in trade receivables (by EUR 3,378 thousand) as well as in actual and deferred tax refund claims (by EUR 5,879 thousand) were primarily responsible for this development. The **equity ratio** fell from 49.5 percent to 45.8 percent. Equity capitalization continues to form a sound basis for realizing future growth and profit targets.

On the balance sheet date, the REALTECH Group had **cash and bank balances** and **securities** totaling EUR 9,349 thousand (previous year: EUR 11,257 thousand).

Investment and financing

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

	2013 TEUR	2012 TEUR
Net cash flows from operating activities	(773)	793
Net cash flows from investing activities	(2.399)	(520)
Net cash flows from financing activities	(223)	(2.079)
Effects of exchange rate changes	(513)	(157)
Net increase/(decrease) in cash and cash equivalents	(3.908)	(1.963)
Cash and cash equivalents at the beginning of the year	11.257	13.220
Cash and cash equivalents at the end of the year	7.349	11.257

In the year under review the REALTECH Group reported cash flows from operating activities of minus EUR 773 thousand (previous year: EUR 793 thousand). The cash outflow resulting from the large decrease in annual net income, despite several contradictory influences, can essentially be attributed to the decrease in trade receivables as well as the increase in provisions.

Cash flows from investing activities produced a cash outflow of EUR 2,399 thousand (previous year: cash outflow of EUR 520 thousand). This was caused by investments (EUR 2,000 thousand) in the acquisition of short-term securities and payments for the acquisition of intangible assets and property, plant and equipment. There was also a cash inflow from the loan repayment by the former subsidiary REALTECH Italia of EUR 581 thousand (previous year: EUR 444 thousand).

Cash flows from financing activities in the year under review amounted to EUR 223 thousand and the full amount can be attributed to the repayment of leasing liabilities. The cash outflow of EUR 2,079 thousand recorded the previous year was essentially due to the payment of dividends.

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

	2013 TEUR	2012 TEUR
Other operating income	15	309
Personnel expenses	(1.038)	(600)
Depreciation of intangible assets of fixed assets and property, plant and equipment	(25)	(10)
Other operating expenses	(1.218)	(1.040)
Income from investments	(3.403)	633
Other interest and similar income	95	147
Depreciation of financial investments	(5.206)	0
Interest and similar expenses	0	(5)
Earnings before interest and taxes	(10.780)	(566)
Income taxes	(453)	(40)
Other taxes	(1)	0
Profit for the year	(11.234)	(606)
Retained profits brought forward from the previous year	1.146	1.752
Withdrawals from the capital reserves	10.088	0
Accumulated income	0	1.146



Earnings of REALTECH AG

Other operating income decreased from EUR 309 thousand to EUR 15 thousand. The reason for this decline is that the figure for the previous year included the writing up of an adjusted loan to REALTECH Portugal from 2004, which was fully repaid in fiscal year 2012.

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 addition, the year under review contains the effects of restructuring and the associated personnel changes in the Executive Board.

Income from investments reversed from EUR 633 thousand to minus EUR 3,403 thousand. This was essentially due to the net income of the German subsidiaries in 2013 resulting from profit and loss transfer agreements. The previous year, income from investments also contained dividends of REALTECH Japan (EUR 213 thousand), REALTECH New Zealand (EUR 159 thousand) and REALTECH Portugal (EUR 250 thousand).

Depreciation of financial investments amounting to EUR 5,206 thousand concern depreciation of the investment carrying amounts for REALTECH Verwaltungs GmbH (by EUR 4,700 thousand) and REALTECH USA (by EUR 200 thousand), as well as depreciation resulting from the merger of Simplify GmbH with REALTECH Verwaltungs GmbH at the end of November 2013 (by EUR 195 thousand). Moreover, the item contains the depreciation of the investment carrying amounts for REALTECH Singapore (by EUR 100 thousand) and REALTECH Nordic (by EUR 11 thousand) as a result of terminating their business activity at the end of the reporting period.

In the 2013 fiscal year, the REALTECH holding recorded a **net loss** of EUR 11,234 thousand (net loss in previous year: EUR 606 thousand). The retained profits from the previous year were used to compensate for the net loss for the year and EUR 10,088 thousand was withdrawn from the capital reserves.

REALTECH AG balance sheet structure

	31.12.2013 TEUR	31.12.2012 TEUR
Fixed assets		
Intangible assets	38	53
Property, plant and equipment	6	10
Financial assets	20.464	26.488
Current assets		
Receivables from affiliated companies	3.202	9.343
Other assets	61	794
Cash	7.831	8.053
Prepaid expenses	7	12
Total assets	31.609	44.753
Equity		
Issued capital	5.386	5.386
Additional paid-in capital	23.145	33.232
Net profit	0	1.146
Provisions		
Tax provisions	1.030	990
Other provisions	819	428
Liabilities		
Received advances	178	0
Trade payables	48	57
Liabilities to associates	456	3.227
Other liabilities	475	287
Deferred tax liabilities	72	0
Total equity and liabilities	31.609	44.753

Financial situation and assets of REALTECH AG

During the 2013 fiscal year the **financial investments** decreased by EUR 6,024 thousand to EUR 20,464 thousand. This was primarily due to the depreciation of the investment carrying amount for REALTECH Verwaltungs GmbH to the amount of EUR 4,700 thousand and the investment carrying amount for REALTECH USA to the amount of EUR 200 thousand. In addition, the outstanding loan amounting to EUR 518 thousand was repaid by the previous subsidiary REALTECH Italy as planned in the year under review. Finally, the termination of the business activities of REALTECH Singapore and REALTECH Nordic as well as the merger of Timplify with REALTECH Verwaltungs GmbH had the result that financial investments decreased by EUR 606 thousand.

Receivables from affiliated companies fell by EUR 6,141 thousand to EUR 3,202 thousand. This was primarily due to the fact that they were offset against the corresponding **liabilities to affiliated**.

Other assets decreased by EUR 733 thousand, which can in particular be attributed to the settlement and partial derecognition of tax claims for previous years.

Other provisions rose by EUR 391 thousand. This is due to the personnel changes on the Executive Board in conjunction with the realignment of the Group that has been carried out.

Total assets were down 29 percent to EUR 31,609 thousand, while the **equity ratio** increased from 88.9 percent to 90.3 percent compared to the same key date the previous year.

REALTECH AG employed an average of 4 people (previous year: 3).

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

	2013 TEUR	2012 TEUR
Net cash flows from operating activities	(1.034)	(1.099)
Net cash flows from investing activities	(1.188)	443
Net cash flows from financing activities	0	(1.615)
Change in cash funds from cash-relevant transactions	(2.222)	(2.271)
Cash and cash equivalents at the beginning of the period	8.053	10.324
Cash and cash equivalents at the end of the period	5.831	8.053

In fiscal year 2013, REALTECH AG achieved a negative **net cash flows from operating activities** of EUR 1,034 thousand, which essentially corresponds to the figure for the previous year (minus EUR 1,099 thousand). This can be attributed to the fact that significant expenditure during the 2013 fiscal year such as depreciation of financial investments (EUR 5,206 thousand), expenses from loss transfers (EUR 3,403 thousand) and reserves for severance payments (EUR 444 thousand) did not affect payments so that, in spite of the substantially increased net loss compared to the previous year, it did not result in any significant effects on the cashflow from operating activities.

The **net cash flows from investing activities** (cash outflow of EUR 1.188 thousand) resulted from investments in current-asset securities (EUR 2,000 thousand), intangible assets and property, plant and equipment. The cash inflow amounting to EUR 818 thousand was essentially due to loan repayments by the previous subsidiary in Italy (EUR 581 thousand) and the repayment of a loan (EUR 300 thousand) by REALTECH Nordic.

Net cash flows from financing activities in the year under review amounted to EUR 0 thousand. In the previous year, the payment of dividends led to a cash outflow of EUR 1,615 thousand, which was primarily due to the payment of dividends 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.

For REALTECH AG, the 2013 fiscal year was shaped by the loss of several subsidiaries as well as by restructuring and reorientation. On the one hand, the changed focus of SAP in the first half of 2013 had the result that the millions invested over the last few years in conjunction with the joint sales agreement did not bring the expected return on investment. Moreover, there was an urgent necessity to end the continuation of unprofitable divisions such as Timplify, REALTECH Singapore and REALTECH Nordic. A further aspect involved merging and bundling customer acquisition with regard to the two business segments Consulting and Software. We have implemented a series of measures to realign the REALTECH Group with the aim of achieving stable and sustainable income again following a period of consolidation. 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 0 thousand, following a net profit of EUR 1,146 thousand the previous year. The retained profits from the previous year were used to compensate for the net loss for the year and EUR 10,088 thousand was withdrawn from the paid-in capital.

The reduction in additional paid-in capital presented in the consolidated financial statements in fiscal year 2013 is EUR 4,700 thousand lower than the decline in additional paid-in capital in the single entity financial statement of REALTECH AG. The difference corresponds to the depreciation of the investment carrying amount for REALTECH Verwaltungs GmbH carried out in the single entity financial statement of REALTECH AG as per December 31, 2013. As the result of a non-cash contribution carried out at fair value prior to going public, which only led to an increased carrying amount in the single entity financial statement and was already offset against the additional paid-in capital in the consolidated financial statements, the carrying amount of the investment in REALTECH Verwaltungs GmbH up to December 31, 2012 in the single entity financial statement of REALTECH AG was always EUR 22,093 thousand higher than the carrying amount for REALTECH Verwaltungs GmbH used in the Group for consolidation purposes. This difference thus decreased in fiscal year 2013 by EUR 4,700 thousand and amounts to just EUR 17,393 thousand as per December 31, 2013.



III. Events after the reporting period

With a sales contract of December 23, 2013, REALTECH Consulting GmbH took over the business operation “Analysis of SAP user models and usage optimization” from VMS AG, Heidelberg, effective as of January 1, 2014. The sales contract covers the software and databases as well as other assets and rights belonging to this business unit. Furthermore, the scope of the contract included the transfer of two employees from VMS AG to REALTECH Consulting GmbH in accordance with Section 613a of the German Civil Code. REALTECH Consulting GmbH intends to continue the existing customer relationships.

The purchase price for the sold assets and transferred and granted rights is also measured in accordance with a percentage rate of the revenue that REALTECH Consulting GmbH earns through the assets and rights (royalties). At the end of 2023, the obligation to pay royalties ends.

Based on a revenue forecast with declining cash flows and using the discounting rate that was used in the consolidated financial statements for the goodwill impairment test for CGU Consulting, a preliminary estimate of the conditional sales price obligation was made. The sales price of EUR 545 thousand that was calculated in this manner is apportioned between the following purchased assets:

Fair value of the purchased client base	245 TEUR
Fair value of the purchased software	245 TEUR
Goodwill (residual value)	55 TEUR

There were no significant changes regarding the general economic conditions or our industry situation after the close of the fiscal year.

On March 25, 2014, the Executive Board of REALTECH AG granted Close Brothers Seydler Bank AG power of attorney to apply for a downlisting of shares of the regulated market from Prime Standard to General Standard. The change to General Standard will take place on July 4, 2014.

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.

Clearly defined risks

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

The company reviews its risk management guidelines and risk map on an annual basis and modifies them where necessary. 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 2013 REALTECH was heavily influenced by the sluggish German economy. In particular, the ongoing recession in some European countries and slowdown in economic development worldwide took its toll on the German economy. This was reflected in the reluctance of customers to invest, combined with price pressure on the market for information technology. Although the leading German economic research institutes and influential institutions such as the World Bank are optimistic about 2014, the position of the global economy remains fragile. For instance, some countries may have problems because of the rise in interest rates caused by the tighter monetary policy of central banks. The still smoldering sovereign debt crisis in Europe must also still be viewed as a risk factor. 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 2014.

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 it unlikely that these risks will take effect and believes their consequences to be minimal, thanks to the high level of convergence of legal regulations and tax regimes.

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. 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, 2013, our net liquidity was EUR 7.3 million (December 31, 2012: EUR 11.3 million). In addition to this, the Group holds short-term securities with a value of EUR 2.1 million (previous year: EUR 0 million).

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 effect 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 mood among high-tech companies at the beginning of 2014 is very good. According to a study carried out on behalf of BITKOM (the German association for the industry), more than three quarters of companies (78 percent) expect revenues to increase in the first half of the year, whereas only 11 percent anticipate declining revenues. The expectations are apparently particularly high among software providers and IT service providers, with 87 and 85 percent respectively expecting revenues to increase over the first six months of 2014. In contrast, only 7 percent in each of these segments anticipate a decline in revenues. With regard to the year 2014 as a whole, even 82 percent of ICT companies forecast that their revenues will increase. Only 11 percent expect business to decline. According to BITKOM, the IT industry is much more confident than the overall economy.

The Executive Board of REALTECH will primarily focus in 2014 on the consolidation of the Group. The purpose of the reorganization and strategic development will be to strengthen REALTECH's earning power in the growth market for information technology on a sustainable basis.

The success of the measures initiated in the second half of the 2013 fiscal year for the realignment of the company is of crucial significance for the return to sustainable profitability of the operational subsidiaries of REALTECH AG and therefore also the ability of REALTECH AG to pay dividends to its shareholders in the future. If the measures decided on cannot be implemented as planned, the future development of the Group and REALTECH AG as a financial holding must be viewed as negative.

In the context of our reorientation, we have systematically realigned our consulting and product portfolio to focus on the integration and optimization of SAP systems in selected target markets. REALTECH specializes in supporting IT managers as they structure their IT infrastructures so that they are fit for the future. As the rapid advances in technology are making IT systems increasingly complex, CIOs have to rely on external consultants such as REALTECH if they want to adapt their IT infrastructure to meet the latest challenges.

REALTECH will place greater emphasis on presenting itself through a standardized presence in the marketplace as an innovative technology partner for IT managers and, above all, will emphasize its core competencies such as its very



significant SAP expertise. Our consultants and software experts will work much more closely together in order to provide customers with measurable added value.

An important unique selling point continues to be the company's outstanding technical expertise in SAP software and system architecture, combined with knowledge of how customers can implement the latest technologies profitably. REALTECH intends to use this potential to promote growth with the aid of customer projects based on innovative solutions and technologies such as SAP HANA, SAP Mobile and cloud computing.

REALTECH will in the future continue to adopt the latest developments on the IT market at an early stage and convert them into consultancy services that offer IT managers clear advantages. Its consultants are internationally recognized experts in future-oriented and technological topics such as cloud computing and Big Data. Our IT experts integrate mobile terminal devices such as smartphones and tablet PCs into the infrastructure of our customers so that users can deploy their software even more efficiently.

We are continuing to concentrate our consulting services and software sales on selected regions and customer segments. Our main target group comprises companies from Germany, Austria and Switzerland as well as Portugal, the USA, Japan and New Zealand.

Close cooperation with strategic partners – amongst others with SAP – will also be a high priority for REALTECH in the future. In this way, we will be able to expand our service portfolio and become more visible on the market. Our aim in all this is to provide customers with an added economic value through the use of IT systems.

Outlook

The development of the Group in the first six months of 2013 made it necessary to initiate extensive organizational measures towards reorganization.

We began by identifying the sites and divisions where there was urgent need for action. The aim of the measures taken was to adapt the Group's cost structure to the development of revenues.

For 2014, the Executive Board is focusing in particular on stabilization and the customer/future-oriented realignment of the company. The reorganization and strategic development will help to strengthen the earning power of REALTECH and its position on the IT market over the long term, and provide our customers with an attractive solution portfolio.

REALTECH is focusing on the current and future requirements of IT departments and its business mission in SMEs and large companies. Above all, this involves the provision and management of reliable IT services geared to perfor-

mance indicators, IT infrastructures and processes in complex IT environments using cloud technologies for our customers. Our consulting and product portfolio is systematically directed towards the optimization, stabilization and business orientation of IT systems at our customers. The strategic element in this is the integration and enhancement of SAP products and solutions.

In view of past developments, the newly appointed members of the Executive Board have the urgent task of bringing REALTECH back onto the road to sustainable growth and profitability again. The Executive Board assumes that revenue from consulting and software will stabilize and expects revenues for 2014 to be at the previous year's level.

On course toward profitable growth, the 2014 fiscal year will be a transitional period. In view of this, the REALTECH Executive Board expects the Group operating profit (EBIT) for the 2014 fiscal year to improve in the range from minus EUR 1.0 million to EUR 0.0 million. An EBIT of approximately EUR 1.0 million is expected for the Consulting segment. The Executive Board is expecting the Software segment to achieve an almost balanced EBIT. An EBIT of around minus EUR 1.5 million is expected for the other segment. 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 are therefore closely linked to the development of the subsidiaries' operational business both in Germany and abroad. We are expecting that the assumed improvement and stabilization of operating profit (EBIT) at Group level in 2014 will also be reflected at REALTECH AG.

Although no dividends were paid for 2014, the Executive and Supervisory Boards hold fast to the original dividend policy, according to which the dividend of REALTECH AG will continue to be focused on balancing healthy company growth and 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. The aim of the company remains to continue to implement the dividend policy defined above.

Liquidity and investment goals

We assume that our liquid assets resulting from financial reserves will again be sufficient in fiscal year 2014 to meet our operating liquidity requirements. In conjunction with the expected cash flows, this should make it possible to finance our short-term and medium-term investments. We do not believe that we will have to take the position of financial debtor in the coming fiscal year 2014.



The capital spending planned for fiscal years 2014 and 2015 essentially constitutes investments in replacements and is intended to be financed from operational cash flow.

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 at each segment level to support the risk management process 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. Information concerning takeovers

REALTECH AG is required to provide disclosures in accordance with the catalogs in Section 289, paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB) and explanations in accordance with Section 176, paragraph 1 of the German Stock Corporation Act (Aktiengesetz, AktG) for the past fiscal year (2013). 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 reports on REALTECH AG's corporate governance in accordance with Item 3.10 of the German Corporate Governance Code:

DECLARATION ON THE MANAGEMENT OF THE COMPANY

Declaration of compliance 2013

In November 2013, 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 15, 2012 since its last declaration of compliance was made and that it has complied with the version dated May 13, 2013 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 objectives 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.

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, 2013

For the Supervisory Board
of REALTECH AG
Signed, Daniele Di Croce

For the Executive Board
of REALTECH AG
Signed, Thomas Mayerbacher
Signed, Volker Hensel



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 2013 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, 2013 to December 31, 2013, the Executive Board almost always 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 2013

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 thousand is reached in a calendar year. In fiscal year 2013, REALTECH AG was not required to report any transactions:

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.

	Number of shares as of 31.12.2013	As a % of the issued shares
Thomas Mayerbacher	1.620	0,03
Volker Hensel	1.020	0,02
	2.640	0,05

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.

	Number of shares as of 31.12.2013	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. 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), performance-related remuneration (bonuses) and incidental benefits. 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 does 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.

The incidental benefits consist of the provision of a company car that can also be used privately and the payment of 50 percent of social insurance contributions at the statutory ceilings, a contribution to a company pension scheme and premiums for a group accident insurance policy

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 2013

Remuneration received by the Executive Board in fiscal year 2013 totaled EUR 320 thousand (compared to EUR 382 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 320 thousand (previous year: EUR 382 thousand), while variable remuneration totaled EUR 0 thousand as in the previous year. Share-based remuneration was also EUR 0 thousand (previous year: EUR 0 thousand). As in the previous year, no options were granted in fiscal year 2013.

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

	31.12.2013		31.12.2012	
	Fixed component	Variable component	Fixed component	Variable component
Thomas Mayerbacher	173	-	167	-
Volker Hensel (since 01.10.2013)	39	-	-	-
Dr. Rudolf Caspary (until 30.06.2013)	108	-	215	-
	320	-	382	-

Up to and including March 15, 2013, Nicola Glowinski, who left the Executive Board on July 31, 2011, received a monthly severance payment of EUR 22 thousand each month for the remaining term of his contract in line with his contractual remuneration. In the 2013 fiscal year, the total severance payment paid out to Nicola Glowinski was EUR 67 thousand.

Up to and including March 15, 2016, Dr. Rudolf Caspary, who left the Executive Board on June 30, 2013, will receive a monthly severance payment of EUR 16 thousand each month for the remaining term of his contract in line with his contractual remuneration, against which Rudolf Caspary must offset other income received from employment, in full, up to March 15, 2016. If, through a written statement, Rudolf Caspary 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 2016 as a one-off payment. In fiscal year 2013, severance payments paid to Rudolf Caspary amounted to EUR 99 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.

Remuneration received by the Supervisory Board in fiscal year 2013 totaled EUR 87 thousand (previous year: EUR 78 thousand). The fixed component was EUR 60 thousand as in the previous year, while the component for attendance fees and travel expenses amounted to EUR 27 thousand (previous year: EUR 18 thousand).

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.

Walldorf, April 10, 2014
REALTECH AG
The Executive Board



*Nothing is in the intellect
that was not first in the senses.*
Epistemological principle

Consolidated Financial Statements

REALTECH AG, Walldorf
as of December 31, 2013

Consolidated Statement of Financial Position

ASSETS	Notes	31.12.2013 EUR	31.12.2012 EUR
Current assets			
Cash and cash equivalents		7.348.696	11.256.846
Other financial assets	(5)	2.247.413	738.317
Trade receivables	(6)	8.065.024	11.442.969
Other non-financial assets	(7)	551.157	450.701
Tax assets	(8)	141.551	4.284.312
Total current assets		18.353.841	28.173.145
Non-current assets			
Goodwill	(9)	4.331.514	4.331.514
Other intangible assets	(9)	274.434	473.797
Property, plant and equipment	(9)	12.789.503	13.291.794
Other financial assets	(11)	221.612	304.621
Deferred tax assets	(8)	1.365.818	3.101.571
Total non-current assets		18.982.881	21.503.297
Total assets		37.336.722	49.676.442

LIABILITIES AND EQUITY	Notes	31.12.2013 EUR	31.12.2012 EUR
Current liabilities			
Trade payables	(12)	1.173.458	1.948.238
Financial liabilities	(12)	2.919.060	2.047.743
Tax liabilities	(8)	1.089.249	6.952.753
Provisions	(13)	4.774.904	2.580.435
Deferred revenue		3.802.930	4.991.501
Total current liabilities		13.759.601	18.520.670
Non-current liabilities			
Financial liabilities	(14)	4.670.566	4.691.638
Deferred tax liabilities	(8)	1.814.537	1.878.385
Total non-current liabilities		6.485.103	6.570.023
Total liabilities		20.244.704	25.090.693
Equity	(15)		
Issued capital		5.385.652	5.385.652
Reserves		5.752.308	11.139.952
Retained Earnings		4.888.699	6.600.439
Other components of equity		350.486	586.251
Equity attributable to owners of the company		16.377.146	23.712.294
Non-controlling interests	(16)	714.872	873.455
Total equity		17.092.018	24.585.749
Total liabilities and equity		37.336.722	49.676.442

Consolidated Statement of Comprehensive Income

	Notes	2013 EUR	2012 EUR
Continuing operations			
Revenue	(18)	39.143.323	39.837.565
Cost of sales		(23.791.136)	(21.747.164)
Gross profit		15.352.187	18.090.401
Selling and marketing expenses		(11.052.929)	(8.222.384)
Administration expenses		(5.734.553)	(5.438.277)
Research and development expenses		(5.111.081)	(4.363.678)
Other operating expenses	(19)	(1.011.623)	(971.465)
Other operating income	(20)	1.069.684	1.323.609
Operating profit		(6.488.315)	418.206
Interest income		76.512	416.193
Interest expenses		(306.375)	(324.275)
Finance income	(21)	(229.863)	91.918
Profit before tax		(6.718.178)	510.124
Income tax expenses	(8)	(262.654)	(474.257)
Profit for the year	(22)	(6.980.832)	35.867
Profit attributable to: - Owners to the company	(22)	(7.099.384)	(206.140)
- Non-controlling interests	(22)	118.552	242.007
Other comprehensive income			
Exchange differences on translating foreign operations		(512.898)	(157.492)
Total comprehensive income for the year		(7.493.730)	(121.625)
Profit attributable to: - Owners to the company		(7.335.148)	(287.297)
- Non-controlling interests		(158.582)	165.672
Earnings per share			
From continuing and discontinued operations - Basic	(22)	(1,32)	(0,04)
- Diluted	(22)	(1,32)	(0,04)
Average number of shares - Basic	(22)	5.385.652	5.385.652
- Diluted	(22)	5.385.652	5.385.652

Consolidated Statement of Cash Flows

	2013 EUR	2012 EUR
Profit for the year	(6.980.832)	35.867
Depreciation and amortization of non-current assets	1.541.097	1.229.592
Income tax expenses	262.654	474.257
Finance income, net	229.863	(91.918)
Gains/losses on disposals of non-current assets	28.507	36.883
Other adjustments for non-cash items	(48.838)	(1.134.166)
Decrease/(increase) in trade receivables	3.377.945	(1.560.408)
Decrease/(increase) in other financial assets	56.217	243.069
Decrease/(increase) in other non-financial assets	(100.456)	(121.298)
Increase/(decrease) in trade payables	(774.780)	587.917
Increase/(decrease) in financial liabilities	1.073.405	(227.492)
Increase/(decrease) in provisions	2.194.469	(469.098)
Increase/(decrease) in deferred revenue	(1.188.571)	1.628.278
Interest paid	(306.375)	(324.275)
Interest received	76.512	416.193
Income taxes paid, net of refunds	(213.817)	69.382
Net cash flows from operating activities	(773.000)	792.783
Purchase of intangible assets and property, plant and equipment	(916.787)	(964.404)
Net cash inflow from refund of loans by disposed subsidiaries	517.696	444.465
Purchase of current securities	(2.000.000)	0
Cashflow aus Investitionstätigkeit	(2.399.091)	(519.939)
Dividends paid to owners of the company	0	(1.841.782)
Payments for finance lease	(223.161)	(236.959)
Net cash flows from financing activities	(223.161)	(2.078.741)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(512.898)	(157.492)
Net cash flows from financing activities	(3.908.150)	(1.963.389)
Cash and cash equivalents at the beginning of the year	11.256.846	13.220.235
Cash and cash equivalents at the end of the year	7.348.696	11.256.846

Consolidated Statement of Changes in Equity

	Issued capital EUR	Capital reserves EUR
Balance at 31. December 2011	5.385.652	11.139.952
Profit for the year		
Exchange rate changes on the balance of cash held in foreign currencies		
Total comprehensive income for the year		
Payment of dividends		
Balance at 31. December 2012	5.385.652	11.139.952
Profit for the year		
Exchange rate changes on the balance of cash held in foreign currencies		
Total comprehensive income for the year		
Withdrawal from capital reserves		(5.387.644)
Balance at 31. December 2013	5.385.652	5.752.308

	Retained earnings EUR	Other components of equity EUR	Equity attributable to owners of the company EUR	Non-controlling interests EUR	Total equity EUR
	8.421.275	667.408	25.614.287	934.869	26.549.156
	(206.140)		(206.140)	242.007	35.867
		(81.157)	(81.157)	(76.335)	(157.492)
	(206.140)	(81.157)	(287.297)	165.672	(121.625)
	(1.614.696)		(1.614.696)	(227.086)	(1.841.782)
	6.600.439	586.251	23.712.294	873.455	24.585.749
	(7.099.384)		(7.099.384)	118.552	(6.980.832)
		(235.764)	(235.764)	(277.134)	(512.898)
	(7.099.384)	(235.764)	(7.335.148)	(158.582)	(7.493.730)
	5.387.644				
	4.888.699	350.487	16.377.146	714.872	17.092.018

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, 2013 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, Portugal, Denmark (until December 2013), the United States of America, New Zealand, Singapore (until December 2013) 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

New and amended standards and interpretations in the International Financial Reporting Standards (IFRS) that are to be applied for the first time for the fiscal year ending on December 31, 2013.

IFRS 13	Fair value measurement ²
IAS 19	Employee benefits ²
Amendments to IAS 1	Presentation of items of other comprehensive income ¹
Amendments to IFRS 1	Loans from public authorities ²
Amendments to IFRS 7	Disclosures – offsetting of financial assets and liabilities ²
Amendments to IFRS	Annual improvements to the IFRS cycle 2009 – 2011 ²
IFRIC 20	Stripping costs in the production phase of a surface mine ¹

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.

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:

IFRS 1 – Initial application of the IFRS	Repeated use of IFRS 1 and borrowing costs
IAS 1 – Presentation of financial statements	Clarification regarding comparative figures
IAS 16 – Property, plant and equipment	Classification of maintenance equipment
IAS 32 – Financial Instruments: Presentation	Tax effects on profit distributions to providers of equity and transaction costs
IAS 34 – Interim financial statements	Details on segment assets in the interim financial statements

New and amended standards and interpretations that can voluntarily be applied early as of December 31, 2013 (subject to EU endorsement)

Application of the standards and interpretations listed is not mandatory for fiscal years ending on December 31, 2013. However, voluntary earlier application is generally permitted. For German companies, it is important to note that voluntary early application is subject to EU endorsement of the standards or interpretations in question.

The following list is based on the key date December 31, 2013. It contains standards and interpretations for which EU endorsement has already been given.

Amendments to IAS 39	Novations of derivatives and continuation of hedge accounting ³
IFRS 10	Consolidated financial statements ³
IFRS 11	Joint arrangements ³
IFRS 12	Disclosure of interests in other entities ³
Amendments to IFRS 10, IFRS 11 und IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transitional guidelines ³
IAS 27 (2011)	Separate financial statements ³
IAS 28 (2011)	Investments in associates and joint ventures ³
Amendments to IFRS 10, IFRS 12 und IAS 27	Investment companies ³
Amendments to IAS 32	Offsetting of financial assets and liabilities ³
Amendments to IAS 36	Disclosures relating to the recoverable amount for non-financial assets ³

³ To be applied to fiscal years beginning on or after January 1, 2014.

The accounting policies applied correspond to the methods used the previous year. The option to apply individual standards early was not used.

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%
- REALTECH Portugal System Consulting Sociedade Unipessoal Lda, Lisbon, Portugal, 100%
- REALTECH Inc., Malvern, PA, USA, 100%
- REALTECH Ltd., Auckland, New Zealand, 100%
- REALTECH Japan Co., Ltd., Tokyo, Japan, 54.1%

The number of consolidated companies has been reduced compared to December 31, 2012 due to the exclusion of the following companies:

- Timplify GmbH, Karlsruhe, Germany, 100%
- REALTECH Nordic ApS, Copenhagen, Denmark, 100%
- REALTECH System Consulting Pte. Ltd., Singapore, 100%

Of these, Timplify GmbH was merged with REALTECH Verwaltungs GmbH on November 29, 2013, retroactively to March 31, 2013. The activities of REALTECH Nordic ApS and REALTECH System Consulting Pte. Ltd. both ceased on December 31, 2013.

Of the German subsidiaries with the legal form of a corporation, REALTECH Consulting GmbH, REALTECH Software Products GmbH, REALTECH Services GmbH and REALTECH Verwaltungs GmbH – each with their headquarters in Walldorf – fulfilled the requirements stipulated in Section 264, paragraph 3 of the German Commercial Code (HGB) for utilizing the exemption regulation, 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 and financial investments that are held to maturity.

Held-to-maturity investments

Securitized debt items that are intended to be held to maturity are assigned to the “held-to-maturity financial investments” category and accordingly measured at amortized cost using the effective interest method.

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.

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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 274 thousand, previous year EUR 474 thousand), property, plant and equipment (EUR 12,790 thousand, previous year EUR 13,292 thousand), deferred tax assets (EUR 1,366 thousand, previous year EUR 3,102 thousand), trade receivables (EUR 8,065, previous year EUR 11,443 thousand), current tax assets (EUR 142 thousand, previous year EUR 4,284 thousand) and provisions (EUR 4,775 thousand, previous year EUR 2,580 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. The expected actual income tax must be calculated for each subject of taxation, and the temporary differences resulting from the differences between the IFRS consolidated financial statements and tax-based accounting with regard to the treatment of certain balance sheet items must be assessed. Where temporary differences exist, they give rise to the recognition of deferred tax assets and liabilities in the consolidated financial statements. The company's management must make assessments when calculating actual and deferred taxes. Deferred tax assets are recognized to the extent that it is probable that they can be utilized. The utilization of deferred tax assets depends on the possibility of obtaining a sufficient level of taxable income in conjunction with the respective tax type and tax jurisdiction, taking into account any legal restrictions regarding the maximum

loss carryforward period. Various factors must be taken into account when assessing the probability of the future usability of deferred tax assets, such as past earnings, operational planning, loss carryforward periods and tax planning strategies. If the actual results deviate from these estimates, or if 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)

	31.12.2013 EUR	31.12.2012 EUR
Securities	2.149	-
Loans	-	518
Rent receivables	44	87
Benefit obligations	15	67
Other	39	66
	2.247	738

The securities are primarily two short-term investments by REALTECH AG of EUR 1,000 thousand each. The loan in the previous year 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

	31.12.2013 EUR	31.12.2012 EUR
Trade receivables	8.421	11.741
Impairments	356	298
	8.065	11.443

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 2,524 thousand (previous year: EUR 3,845 thousand). Furthermore, there are received payments on account relating to production orders of EUR 1,991 thousand (previous year: 3,516 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

	31.12.2013	31.12.2012
	EUR	EUR
Situation at the beginning of the year	298	521
Impairments of receivables	58	-
Reversals of impairment of receivables	-	223
Situation at the end of the year	356	298

7. Other non-financial assets

Other non-financial assets encompass prepaid expenses and accrued income amounting to EUR 551 thousand (previous year: EUR 451 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:

	31.12.2013	31.12.2012
	EUR	EUR
Income taxes receivable, Germany	58	4.266
Other	84	18
Tax assets	142	4.284

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

	31.12.2013	31.12.2012
	EUR	EUR
Income tax payable, Germany	1.030	6.464
Other	59	489
Tax liabilities	1.089	6.953

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

	2013	2012
	EUR	EUR
Current tax expense	1.409	(652)
Deferred tax expense (net)	(1.672)	178
Income tax expenses	(263)	(474)

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).

	2013	2012
	EUR	EUR
Expected tax expenses	(272)	(128)
Tax effect from previous years	1,609	17
Allowance for active deferred tax assets	(1,520)	-
Tax rate difference/measurement differences (abroad)	(80)	(363)
Income tax expenses	(263)	(474)

The tax effect from previous years primarily relates to the reversal of provisions and the derecognition of deferred tax refund claims following the conclusion of an audit in Germany.

The allowance for active deferred tax assets relates entirely to income tax loss carryforwards of REALTECH AG.

In the year under review, the tax rate differences in foreign countries primarily resulted from REALTECH Japan due to a deviating tax rate (38.01 %) 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:

	31.12.2013	31.12.2012
	EUR	EUR
Finance leasing	1.130	1.186
Tax loss carryforwards	15	1.535
Fixed assets	5	12
Impairments	10	4
Provisions	206	362
Other	-	3
Deferred tax assets	1.366	3.102

The deferred tax assets are primarily attributed to leasing liabilities in Germany.

	31.12.2013	31.12.2012
	EUR	EUR
Finance leasing	1.310	1.356
Fixed assets	394	377
Goodwill	26	22
Production orders	82	-
Deferred tax liabilities	1.815	1.878

Deferred tax liabilities are predominantly 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 2013 fiscal year:

	Historical cost					
	01.01.2013 TEUR	Additions TEUR	Disposals TEUR	Transfers TEUR	Exchange dif- ferences from translations TEUR	31.12.2013 TEUR
Goodwill	7.077	-	-	2	(4)	7.075
Other intangible assets	2.723	213	-	28	(5)	2.959
Land and property, land rights and buildings	17.475	66	6	-	(43)	17.492
Equipment and machinery	710	229	26	(398)	(53)	(462)
Other equipment, operational and office equipment	6.356	409	480	418	(21)	6.682
Property, plant and equipment	24.541	704	512	20	(117)	24.636
	34.341	917	512	50	(126)	34.670

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	
	01.01.2013 TEUR	Additions TEUR	Disposals TEUR	Transfers TEUR	Exchange dif- ferences from translations TEUR	31.12.2013 TEUR	31.12.2013 TEUR	31.12.2012 TEUR
	2.745	-	-	2	(4)	2.743	4.332	4.332
	2.249	411	-	28	(3)	2.685	274	474
	5.044	464	6		(11)	5.491	12.000	12.431
	259	124	17	(14)	(38)	314	147	451
	5.946	542	462	34	(19)	6.041	642	410
	11.249	1.130	485	20	(68)	11.847	17.395	18.098
	16.243	1.541	485	50	(75)	17.275	17.395	18.098

Fixed assets changed as follows in the 2012 fiscal year:

	Historical cost				
	01.01.2013	Additions	Disposals	Exchange differ- ences from transla- tions	31.12.2012
	TEUR	TEUR	TEUR	TEUR	TEUR
Goodwill	7.071	-	-	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

Accumulated depreciation					Net carrying amounts	
01.01.2013	Additions	Disposals	Exchange differences from translations	31.12.2012	31.12.2012	31.12.2011
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
2.739	-	-	6	2.745	4.332	4.332
2.022	228	-	(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

10. Shareholdings

On December 31, 2013, REALTECH AG directly and indirectly held shares of at least 20 % in the following companies:

	Share of capital %	Equity 31.12.2013 TEUR	Annual net income TEUR
REALTECH Verwaltungs GmbH, Walldorf, Germany	100,0	275	3.403 ¹
REALTECH Consulting GmbH, Walldorf, Germany	100,0	26	(3,216) ¹
REALTECH Services GmbH, Walldorf, Germany	100,0	163	172 ¹
REALTECH Software Products GmbH, Walldorf, Germany	100,0	40	(4,304) ¹
REALTECH Portugal System Consulting Sociedade Unipessoal Lda., Lissabon, Portugal	100,0	153	(88)
REALTECH Nordic ApS, Copenhagen, Denmark	100,0	(105)	(87)
REALTECH Inc., Malvern, PA, USA	100,0	(1.195)	(655)
REALTECH Ltd., Auckland, Neuseeland	100,0	965	258
REALTECH System Consulting Pte. Ltd., Singapore	100,0	173	(94)
REALTECH Japan Co., Ltd., Tokio, Japan	54,1	935	136

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)

	31.12.2013 EUR	31.12.2012 EUR
Deposits	185	252
Other	37	53
	222	305

12. Liabilities (current)

	31.12.2013 EUR	31.12.2012 EUR
Trade payables	1.174	1.948
Financial liabilities	2.919	2.048
	4.093	3.996

Financial liabilities include sales tax, withholding tax and wage tax liabilities in the amount of EUR 914 thousand (previous year: EUR 597 thousand), outstanding supplier invoices in the amount of EUR 1,195 thousand (previous year EUR 517 thousand), the office lease liability (see also section 26) in the amount of EUR 237 thousand (previous year: EUR 223 thousand), liabilities to employees in the amount of EUR 24 thousand

(previous year: EUR 223 thousand), liabilities to minority shareholders resulting from the dividends of REALTECH Japan in the amount of EUR 0 thousand (previous year: EUR 189 thousand) and liabilities to the Supervisory Board in the amount of EUR 39 thousand (previous year: EUR 78 thousand).

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

13. Provisions

	31.12.2013	31.12.2012
	EUR	EUR
Employee-related obligations	4,618	2,498
Other provisions (see below)	157	82
	4,775	2,580

Employee-related obligations primarily encompass annual vacation entitlements, severance payments, bonuses, profit sharing and expenses for the realignment.

Other provisions

	Construc- tion work TEUR	Warranty work TEUR	Onerous lease contracts TEUR	Total TEUR
Situation as of Jan. 1, 2013	-	25	57	82
Recognition of additional provisions	35	27	70	132
Decrease as a result of payments or other considerations that represent future economic benefits	-	-	57	57
Situation as of Dec. 31, 2013	35	52	70	157

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)

	31.12.2013	31.12.2012
	EUR	EUR
Office lease liability	4.237	4.475
Other	434	217
	4.671	4.692

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, 2013 amounted to 5,385,652 (December 31, 2013: 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.

Capital reserves

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

In the 2013 fiscal year, EUR 5,388 thousand was withdrawn from the reserves. This reduction in reserves is EUR 4,700 thousand lower than the decline in reserves in the single entity financial statement of REALTECH AG. The difference corresponds to the deprecia-

tion of the investment carrying amount for REALTECH Verwaltungs GmbH carried out in the single entity financial statement of REALTECH AG as per December 31, 2013. As the result of a non-cash contribution carried out at fair value prior to going public, which only led to an increased carrying amount in the single entity financial statement and was already offset against the additional paid-in capital in the consolidated financial statements, the carrying amount of the investment in REALTECH Verwaltungs GmbH up to December 31, 2012 in the single entity financial statement of REALTECH AG was always EUR 22,093 thousand higher than the carrying amount for REALTECH Verwaltungs GmbH used in the Group for consolidation purposes. This difference thus decreased in fiscal year 2013 by EUR 4,700 thousand and amounts to just EUR 17,393 thousand as per December 31, 2013.

Retained earnings

	2013 EUR	2012 EUR
Situation at the beginning of the year	6.600	8.421
The annual net income attributable to the shareholders of the parent company	(7.099)	(206)
Withdrawals from the capital reserves	5,388	-
Payment of dividends	-	(1.615)
Situation at the end of the year	4,889	6.600

Other components of equity

	2013 EUR	2012 EUR
Situation at the beginning of the year	586	667
Currency translation differences of economically independent entities	(236)	(81)
Situation at the end of the year	350	586

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 2013, 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 2013 fiscal year were 10 % or EUR 4,039 thousand (thereof Consulting: EUR 3,487 thousand and Software: EUR 552 thousand) in the previous year this was 13 % or EUR 5,005 thousand (thereof Consulting: EUR 3,979 thousand and Software EUR 1,026 thousand). Due to the fact that one REALTECH customer whose creditworthiness is undisputed, accounts for 10 % of revenue (previous year: 13 %), 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 minus EUR 2,475 thousand (previous year: EUR 1,953 thousand) to the Group's segment income. The contribution of the software segment

was minus EUR 1,855 thousand (previous year: minus EUR 1 thousand). The operating margin for Consulting was minus 10 % (previous year: 7 %) and for Software minus 14 % (previous year: 0 %).

The segment income of the other segment was minus EUR 2,158 thousand (previous year: minus EUR 1,534 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		Software		Other segment		Group	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Revenue	25.682	27.560	13.461	12.278			39.143	39.838
Cost of sales	(21.138)	(19.855)	(2.653)	(1.892)			(23.791)	(21.747)
Selling and marketing expenses	(4.691)	(3.108)	(5.713)	(4.782)	(649)	(332)	(11.053)	(8.222)
Administrative expenses	(2.283)	(2.654)	(1.776)	(1.291)	(1,676)	(1.494)	(5,735)	(5.438)
Research and development expenses			(5.111)	(4.364)	(0)	(0)	(5.111)	(4.364)
Other operating expenses	(106)	(78)	(99)	(75)	(807)	(819)	(1,012)	(971)
Other operating income	60	88	36	125	974	1.110	1.070	1.324
Segment income	(2.476)	(1.953)	(1.855)	(1)	(2.158)	(1.534)	(6.488)	418
Finance income							(230)	92
Gains or losses relating to continuing operations (before tax)							(6.718)	510
Income tax expenses							(263)	(474)
Profit for the years							(6.981)	36
Segment assets	21.676	28.169	11.684	13.079	-	-	33.360	41.248
Unallocated assets					3.976	8.429	3.976	8.429
Consolidated assets							37.337	49.676
Segment liabilities	6.557	6.586	3.437	2.934	-	-	9.994	9.520
Unallocated liabilities					10.251	15.571	10.251	15.571
Consolidated liabilities							20.245	25.091
Additions to non-current assets	604	667	313	297	-	-	917	964
Scheduled depreciation	(1.020)	(851)	(521)	(379)	-	-	(1.541)	(1.230)

Geographic information

The Group operated 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	
	2013 EUR	2012 EUR	31.12.2013 EUR	31.12.2012 EUR	2013 EUR	2012 TEUR
Germany	27.220	26.211	31.942	42.201	851	737
Portugal and Nordic	438	583	334	556	3	4
USA	2.068	2.646	544	558	2	13
Asia Pacific	9.417	10.398	4.516	6.362	61	210
Total	39.143	39.838	37.337	49.676	917	964
	thereof non-current		18.354	28.173		
	thereof Germany		17.731	27.257		
	thereof other countries		623	916		

18. Revenue

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

	2013 EUR	2012 EUR
Consulting	25.682	27.560
Software	13.461	12.278
	39.143	39.838

The revenue from production orders included in sales is EUR 9,234 thousand (previous year: EUR 8,947 thousand).

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

	2013 EUR	2012 EUR
Licenses	4.526	2.926
Services	1.240	1.652
Maintenance	7.695	7.700
	13.461	12.278

19. Other operating expenses

The other operating expenses amounting to EUR 1,012 thousand (previous year: EUR 972 thousand) primarily include expenses from operating lease agreements (EUR 565 thousand, previous year EUR 615 thousand), from currency losses (EUR 188 thousand, previous year: EUR 148 thousand) expenses from deconsolidation amounting to EUR 181 thousand (previous year: EUR 0 thousand) and from a legal dispute (EUR 0 thousand, previous year: EUR 204 thousand). Please see section 26 for details regarding the rent and lease liabilities.

20. Other operating income

The other operating income of EUR 1,070 thousand (previous year: EUR 1,324 thousand) includes, for example, rental income from third parties for the use of the office in Walldorf (EUR 705 thousand, previous year: EUR 712 thousand) currency gains in the amount of EUR 100 thousand (previous year: EUR 153 thousand) and reversals of impairment for trade receivables (EUR 0, previous year: EUR 223 thousand).

21. Finance income

The financial result of EUR 230 thousand (previous year: minus EUR 92 thousand) comprises interest income in the amount of EUR 76 thousand (previous year: EUR 416 thousand) from loans and other financial liabilities (cash and bank balances) and interest expenses in the amount of EUR 306 thousand (previous year: EUR 324 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:

	31.12.2013	31.12.2012
	EUR	EUR
Profit for the year	(6.980.831)	35.867
Attributable to		
- Shareholders of the parent company	(7.099.383)	(206.140)
- Non-controlling shareholders	118.552	242.007
Earnings per share		
From continuing and discontinued operations		
- Basic	(1,32)	(0,04)
- Diluted	(1,32)	(0,04)
Average number of shares outstanding		
- Basic	5.385.652	5.385.652
- Diluted	5.385.652	5.385.652

Due to the authorization by the General Meeting 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 April 10, 2014 to propose at the next General Meeting to carry forward the net profit of REALTECH AG to a new account, as had also been the case the previous year. The General Meeting is scheduled to be held in Wiesloch on May 27, 2014.

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, Schweitenkirchen (which is now REALTECH Software Products GmbH, Walldorf) were acquired. The acquisition resulted in goodwill in the amount of EUR 1,702 thousand. This entity was and is allocated only to the Software segment. Software is developed independently and distributed under the company's own theGuard! brand name.

Furthermore, 100% of shares in DB-Online GmbH, Mannheim (which is now REAL-

TECH Services GmbH, Walldorf) and in GloBE technology GmbH, Walldorf (merged into REALTECH Verwaltungs GmbH as of November 29, 2013) 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 additional goodwill in the amount of EUR 240 thousand. REALTECH Japan is allocated in full to the Consulting segment.

The goodwill is comprised as follows on the reporting date:

	31.12.2013	31.12.2012
	TEUR	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 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 2014 and 2015 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 a discount of 15 % due to failures to meet the planned targets adding up to this amount in the last two years as well as 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 2014 and 2015 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 (6.60 %, previous year 6.34 %) was used as a basis for 2014 and 2015, and for the terminal value, a WACC calculated accordingly was used (5.60 %, previous year: 5.40 %). In the case of the CGU Software (Germany), a WACC of 6.70 % (previous year: 6.36 %) was used for 2014 and 2015; for the terminal value, a WACC of 5.70 % was used (previous year: 5.44 %). The WACC for CGU REALTECH Japan for 2014 and 2015 was 8.06 % (previous year: 8.06 %) and that for the terminal value was 7.06 % (previous year: 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)

	31.12.2013
	TEUR
Goodwill Consulting Germany	2.390
Working capital of REALTECH Consulting GmbH	458
Non-current assets of REALTECH Consulting GmbH	187
Net carrying amount	3.035
Recoverable amount	7.022

CGU Software (Germany)

	31.12.2013
	TEUR
Goodwill Software Germany	1.702
Working capital of REALTECH Software Products GmbH	458
Non-current assets of REALTECH Software Products GmbH	187
Net carrying amount	3.035
Recoverable amount	7.022

CGU REALTECH Japan (Consulting)

	31.12.2013
	TEUR
Goodwill Consulting Japan	240
Working capital of REALTECH Japan Co., Ltd.	1.530
Non-current assets of REALTECH Japan Co., Ltd	372
Net carrying amount	2.142
Recoverable amount	6.472

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, 2013.

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.

EBIT unchanged while the interest rate for the terminal value rose by 1.0 %

For the CGU Consulting (Germany), the same WACC (6.60 %) was used as a basis for 2014 and 2015, and for the terminal value, a WACC calculated accordingly was used (7.60 %). In the case of the CGU Software (Germany), a WACC of 6.73 % was used for 2014 and 2015; for the terminal value, a WACC of 7.73 % was used. The WACC for CGU REALTECH Japan for 2014 and 2015 was 8.06 % and, for the terminal value, the WACC was 9.06 %.

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

	31.12.2013 TEUR
CGU Consulting (Germany)	5.223
CGU Software (Germany)	9.270
CGU REALTECH Japan (Consulting)	5.388

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, 2013.

Interest rate unchanged while the EBIT for the terminal value fell by 5.0 %

For the CGU Consulting (Germany), the same WACC (6.60 %) was used as a basis for 2014 and 2015 and for the terminal value. In the case of the CGU Software (Germany), a WACC of 6.73 % was used for 2014 and 2015 and for the terminal value. The WACC for CGU REALTECH Japan for 2014 and 2015 and for the terminal value was 8.06 %.

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)	5.642
CGU Software (Germany)	9.947
CGU REALTECH Japan (Consulting)	5.608

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, 2013.

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 depreciation

Staff costs in fiscal year 2013 were EUR 28,989 thousand, compared to EUR 24,916 thousand the previous year. This concerned the items cost of sales, selling and marketing expenses, administrative expenses and research and development costs. This increase is primarily a result of severance payments as well as expenses for the realignment.

Expenses for defined contribution plans, such as pension funds, were EUR 2,900 thousand in the 2013 fiscal year (previous year: EUR 2,546 thousand).

Total scheduled depreciation was EUR 1,316 thousand (previous year: EUR 1,230 thousand). Of this, other intangible assets accounted for EUR 235 thousand (previous year: EUR 228 thousand) and plant, property and equipment accounted for EUR 1,081 thousand (previous year: EUR 1,002 thousand). This affected the cost of sales and administrative expenses items, in particular.

Unscheduled depreciation totaled EUR 225 thousand (previous year 0 thousand); EUR 176 thousand of this (previous year EUR 0 thousand) related to other intangible assets while EUR 49 thousand (previous year: EUR 0 thousand) related to property, plant and equipment. 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 5,191 thousand as of December 31, 2013 (December 31, 2012: EUR 5,373 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 187 thousand while the cumulated depreciation amounts to EUR 2,116 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, 2013, 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	
	31.12.2013 TEUR	31.12.2012 TEUR	31.12.2013 TEUR	31.12.2012 TEUR
With a remaining term of up to one year	529	529	496	496
With a remaining term of more than one year and up to five years	4.870	5.398	3.978	4.202
With a remaining term of more than five years	-	-	-	-
Less future finance costs	(925)	(1.229)	-	-
Total	4.474	4.698	4.474	4.698

	31.12.2013 TEUR	31.12.2012 TEUR
Recognized in the consolidated financial statements under		
Financial liabilities (current), see section 12	237	223
Financial liabilities (non-current), see section 14	4.237	4.475
	4.474	4.698

Other rent and lease agreements

As the lessee

The existing obligations arising from rent, lease and operating lease agreements as of December 31, 2013 are broken down as follows:

	TEUR
2014	1.628
2015	1.027
2016	640
2017	457
2018 and following years	72
	3.824

Expenses arising from operating lease agreements were EUR 1,357 thousand in the year under review (previous year: EUR 1,786 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 payments receivable

	31.12.2013 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	432
With a remaining term of more than five years	-
	1.055

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:

	31.12.2013			31.12.2012		
	Carrying TEUR	At amortized cost TEUR	Fair value TEUR	Carrying TEUR	At amortized cost TEUR	Fair value TEUR
Assets						
Cash and bank deposits	7.349	7.349	7.349	11.257	11.257	11.257
Trade receivables (incl. impairment)	8.065	8.065	8.065	11.443	11.443	11.443
Other financial assets	2.469	2.469	2.469	1.043	1.043	1.043

	31.12.2013			31.12.2012		
	Carrying TEUR	At amortized cost TEUR	Fair value TEUR	Carrying TEUR	At amortized cost TEUR	Fair value- TEUR
Liabilities						
Trade payables	1.174	1.174	1.174	1.948	1.948	1.948
Financial liabilities	7.347	7.347	7.347	6.739	6.739	6.739

	31.12.2013			31.12.2012		
	Carrying TEUR	At amortized cost TEUR	Fair value TEUR	Carrying TEUR	At amortized cost TEUR	Fair value TEUR
Classification according to IAS 39						
Financial assets (Loans and receivables)	17.883	17.883	17.883	23.743	23.743	23.743
(Held-to-maturity investments)	2.000	2.000	2.000	0	0	0
Financial liabilities (At amortized cost)	8.763	8.763	8.763	8.688	8.688	8.688

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:

	2013 TEUR	2012 TEUR
Interest income	77	416
Impairments	58	-
Reversals of impairment	-	223

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

	2013 TEUR	2012 TEUR
Interest expense	(306)	(324)

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, 71 % of the Group's business activities are in the euro region (previous year: 67 %). 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 significant net financial liabilities during fiscal year 2013. 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:

	31.12.2013	31.12.2012
	EUR	EUR
Not due, not individually impaired	6.435	8.987
0 to 29 days past due	1.282	1.906
30 to 59 days past due	176	316
60 to 89 days past due	115	28
90 to 120 days past due	35	80
more than 120 days past due	378	424
Total of past due receivables	1.986	2.754
Individual value-adjusted receivables	356	298
Net carrying amount	8.065	11.443

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 10 % of revenue (previous year: 13 %), the liability and credit risks for the Group are negligible. The revenue from the largest individual customers was EUR 4,039 thousand (previous year: EUR 5,005 thousand), with Consulting accounting for EUR 3,487 thousand (previous year: EUR 3,979 thousand) and Software for EUR 552 thousand (previous year: EUR 1,026 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:

	31.12.2013			31.12.2012		
	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	1.174	-	-	1.948	-	-
Financial liabilities	2.919	4.671	-	2.048	4.692	-
	4.093	4.671	-	3.996	4.692	-

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, 2013, the company's gearing was minus 0.02 (previous year: minus 0.20).

	31.12.2013	31.12.2012
	EUR	EUR
Trade payables	1.174	1.948
Current tax liabilities	1.089	6.953
Financial liabilities	7.590	6.739
Provisions	4.775	2.580
Deferred revenue	3.803	4.992
Gross financial liabilities	18.431	23.212
Cash and cash equivalents	7.349	11.257
Other financial assets	2.469	1.043
Trade receivables	8.065	11.443
Tax assets	142	4.284
Net financial liabilities	406	(4.815)
Equity according to the consolidated financial statement	17.092	24.586

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

Thomas Mayerbacher (chairman since July 1, 2013, previously finance)
 Volker Hensel (finance since October 1, 2013)
 Dr. Rudolf Caspary (chairman until June 30, 2013)

The executive bodies have no further members.

29. Remuneration of the Executive and Supervisory Boards

Remuneration received by the Executive Board in fiscal year 2013 totaled EUR 320 thousand (compared to EUR 382 thousand in the previous year). The fixed portion (including non-monetary benefits from company cars and social security allowances) was EUR 320 thousand (previous year: EUR 382 thousand), while variable remuneration totaled EUR 0 thousand as in the previous year. Share-based remuneration was also EUR 0 thousand (previous year: EUR 0 thousand). As in the previous year, no options were granted in fiscal year 2013.

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

	31.12.2013		31.12.2012	
	Fixed component	Variable component	Fixed component	Variable component
Thomas Mayerbacher	173	-	167	-
Volker Hensel (since 01.10.2013)	39	-	-	-
Dr. Rudolf Caspary (until 30.06.2013)	108	-	215	-
	320	-	382	-

Up to and including March 15, 2013, Nicola Glowinski, who left the Executive Board on July 31, 2011, received a monthly severance payment of EUR 22 thousand each month for the remaining term of his contract in line with his contractual remuneration. In the 2013 fiscal year, the total severance payment paid out to Nicola Glowinski was EUR 67 thousand.

Up to and including March 15, 2016, Dr. Rudolf Caspary, who left the Executive Board on June 30, 2013, will receive a monthly severance payment of EUR 16 thousand each month for the remaining term of his contract in line with his contractual remuneration, against which Rudolf Caspary must offset other income received from employment, in full, up to March 25, 2016. If, through a written statement, Rudolf Caspary 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 2016 as a one-off payment. In fiscal year 2013, severance payments paid to Rudolf Caspary amounted to EUR 99 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 2013 totaled EUR 87 thousand (previous year: EUR 78 thousand). The fixed component was EUR 60 thousand as in the previous year, while the component for attendance fees and travel expenses amounted to EUR 27 thousand (previous year: EUR 18 thousand).

30. Directors' dealings

Changes in numbers of REALTECH shares held by members of the Executive Board of REALTECH AG in fiscal year 2013 can be seen in the following table:

	Thomas Mayerbacher	Volker Hensel	Dr. Rudolf Caspary
Situation as of Jan. 1, 2013	1.620	1.020**	43.620
Additions	-	-	-
Disposals	-	-	-
Situation as of Dec. 31, 2013	1.620	1.020	43.620*

* Situation as of June 30, 2013

** Situation as of Oct. 1, 2013

Changes in numbers of REALTECH shares held by members of the Supervisory Board of REALTECH AG in fiscal year 2013 can be seen in the following table:

	Daniele Di Croce	Rainer Schmidt	Peter Stier
Situation as of Jan. 1, 2013	885.500	765.500	745.500
Additions	-	-	-
Disposals	-	-	-
Situation as of Dec. 31, 2013	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 2013.

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 2013, no companies of the REALTECH Group entered into transactions that require reporting with members of the Supervisory or Executive Boards (see section 29) of REALTECH AG or with other members of management in key positions or companies in which these individuals are represented on management or supervisory committees (with the exception of the transactions specified under sections 30 and 31). This is also true of the close family members of this group of individuals.

32. Employees

The REALTECH Group had a total of 355 employees on December 31, 2013, while the figure on December 31, 2012 was 339. As an annual average, the company employed 356 people in 2013, and 333 the previous year.

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

According to areas

	31.12.2013	31.12.2012
Product consulting	168	160
Development	19	18
Administration	58	66
Selling and marketing	64	54
Consulting	56	48
	365	346

According to regions

	31.12.2013	31.12.2012
USA	278	257
Asia Pacific	17	20
Portugal and Nordic	12	15
Germany	58	54
	365	346

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

Deloitte & Touche GmbH, auditors, Mannheim, received remuneration of EUR 134 thousand in total for the 2013 fiscal year (previous year: EUR 200 thousand), which is recognized as an expense. Of this amount, EUR 92 thousand is attributable to auditing (previous year: EUR 96 thousand) and EUR 42 thousand is attributable to tax consulting services (previous year EUR 61 thousand). As in the previous year, there were no fees for other confirmation services as defined in Section 314, paragraph 1, point 9b) of the German Commercial Code; fees for services as defined in Section 314, paragraph 1, point 9d) of the German Commercial Code amounted to EUR 0 thousand (previous year EUR 43 thousand).

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 2013 fiscal year, please refer to the notes of REALTECH AG's annual financial statements as of December 31, 2013.

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, 2013, 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.com).

36. Events after the reporting date

With a sales contract dated December 23, 2013, REALTECH Consulting GmbH took over the business operation "Analysis of SAP user models and usage optimization" from VMS AG, Heidelberg, effective as of January 1, 2014. The sales contract covers the software and databases as well as other assets and rights belonging to this business unit. Furthermore,

the scope of the contract included the transfer of two employees from VMS AG to REALTECH Consulting GmbH in accordance with Section 613a of the German Civil Code. REALTECH Consulting GmbH intends to continue the existing customer relationships.

The purchase price for the sold assets and transferred and granted rights is also measured in accordance with a percentage rate of the revenue that REALTECH Consulting GmbH earns through the assets and rights (royalties). At the end of 2023, the obligation to pay royalties ends.

Based on a revenue forecast with declining cash flows and using the discounting rate that was used in the consolidated financial statements for the goodwill impairment test for CGU Consulting, a preliminary estimate of the conditional sales price was made. The sales price of EUR 545 that was calculated in this manner is apportioned between the following purchased assets:

Fair value of the purchased client base	245 TEUR
Fair value of the purchased software	245 TEUR
Goodwill (residual value)	55 TEUR

On March 25, 2013, the Executive Board of REALTECH AG granted Close Brothers Seydler Bank AG power of attorney to apply for a downlisting of shares of the regulated market from Prime Standard to General Standard. The precise time of this downlisting is not yet fixed.

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.

37. Approval of the financial statements

The financial statements were approved by the Executive Board on April 10, 2014 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, April 10, 2014
REALTECH AG
The Executive Board

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 2013. The preparation of the consolidated financial statements and group management report in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and regulations under German commercial law to be applied as a supplement according to § 315a (1) German Commercial Code (HGB) is the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Mannheim, April 10, 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Buhleier
Wirtschaftsprüfer

Hegenbart
Wirtschaftsprüfer

Glossary

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

Especially large quantities of data that conventional data management solutions struggle to cope with. All data processing stages – from storage 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

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.

CIO

A CIO (Chief Information Officer) 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 all of a company’s hardware and software components in a central location and makes this information available to the IT administrators.

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.

Internet of Things

Mobile terminal devices, increasingly “intelligent” everyday items and industry components that communicate independently using the Internet.

ITIL

ITIL (IT Infrastructure Library) is a general standard and a series of defined work procedures for effective IT operation.

ITSM

ITSM (IT Service Management) describes all processes, services and software solutions that a company has for IP operation. This includes, for example, change management, which covers the ongoing adaptation of business strategies and structures as well as all processes related to the ongoing development of IT systems.

Linux

Linux is a license-free, open operating system based on platform neutrality, which is further developed by programmers 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.

On Demand

The provider makes a software application available, which the customer can use as required. For the customer, this reduces the costs for operating and managing IT systems, in particular.

On Premises

Classic means of providing software – a company purchases software licenses and hardware to operate the applications in its own computer center.

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.

Portal

A portal is an application that opens up personalized access to data, processes, services and applications. This includes the Web portal, a central access point on the Internet, via which users can access individually tailored, internal or external company information and services.

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.

Single Sign-on

After a single authentication on his or her workstation, the user can access all computers, applications, services and programs in the network that he or she has authorizations for – without having to log in again each time.

Social-Media-Plattformen

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 monitoring and control of IT infrastructures by suitable software and processes.

Wearables

Mobile devices worn on the body that support the user in everyday life and communicate with other devices via the Internet. These include, for example, watches or bracelets that monitor physical activity and glasses with an integrated screen such as Google Glass.

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Financial Calendar

Quarterly Report 1/ 2014	May 08, 2014
General Shareholders` Meeting, Palatin, Wiesloch, 10.00 a.m.	May 27, 2014
Quarterly Report 2/ 2014	August 07, 2014
Deutsches Eigenkapitalforum, Frankfurt	November 24, 2014
Annual Report 2014	March 26, 2015
Half-Year Report 2015	August 06, 2015

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You can find the annual report and the quarterly reports on the internet at www.realtech.com/investors.

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

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