



The Gores Group converts €60 million of its Real Software debts into equity. Delivers positive equity value.

Kontich, 28 August 2006

Real Software announced today that its reference shareholder, The Gores Group along with its co-investor from the Indofin group, have reached an agreement with the Company to contribute the principal amount of their G-1 Convertible Bonds, *i.e.* €15,000,000, and of their senior secured debt, *i.e.* €44,795,079 into common equity of the company. The €60 million conversion of debt to equity completes and confirms the successful turnaround of the company. The contribution of the debts to equity significantly de-leverages the balance sheet and leads to a positive pro forma book equity value based upon year end consolidated 2005 financials. In connection with these transactions, the company has put in place a new €23,500,000 credit facility (initially €13,500,000 drawn) provided by Credit Suisse, thereby providing financial backing from a leading investment bank.

“This is the final cornerstone in the turnaround of Real Software. Real succeeded in its plan to not only return the company to operating profitability but also to de-leverage its balance sheet. We are now focused on optimizing our operations and driving growth”, said Ashley Abdo, CEO.

“During the past 20 years Real has consistently provided quality IT services and business software solutions. Real now has the financial foundation and strength to leverage its tremendous history, brand and position in the market. During the past two years, we have challenged our associates to improve our services and products, while we returned the company to financial strength and profitability. During this period, our associates never lost sight of delivering the highest quality services and software solutions available in the market. We greatly appreciate their entrepreneurial spirit, commitment and drive. Our clients remained confident and loyal notwithstanding the difficult times we went through. We are happy we can now reward their confidence with our strengthened financial and operational position.”

At the beginning of 2004, Real Software had negative equity (€-161.5 million) and had posted recurring operating losses (€-2.5 million). In 2005, Real generated €1.2 million of recurring operating profit and had improved its equity position to negative €52.9 million. Now in 2006, Real expects the recurring operating profit to continue to improve and its equity to be positive. Upon the completion of the conversion of the debts the pro forma equity position based on year ending consolidated 2005 financials is €7 million.

As a result of this improvement, Credit Suisse has agreed to provide a €23,500,000 credit facility to allow for the payment of certain debts and for general working capital purposes. As is normal practice, the credit facility is secured by the assets of the company. The credit facility provides for an initial immediate funding of €13,500,000 with drawing of an additional €10,000,000 second tranche, upon the achievement of certain financial milestones by Real. This represents a significant landmark as it provides financial backing by a leading investment bank underscoring the current strength of the company.

The current debt moves include the following:

1. Contribution G-1 €15,000,000 Convertible Bonds into the common equity of the company;
2. Contribution of the outstanding principal of the senior secured debt, €44,795,079, into the common equity of the company;
3. Credit Suisse Senior Secured facility funding for €13,500,000; and



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4. Repayment of €3,900,000 credit facility from banks and factoring company.

The net result, when complete, will result in an increase of shareholders' equity of approximately €60 million, bringing the Group into a positive pro forma equity position of approximately €7 million, based upon year end consolidated 2005 financials.

The 1,500 G-1 Convertible Bonds totaling €15,000,000 were contributed to common equity at €0.55 per share as provided in the original bond documentation. The conversion resulted in the issuance of 27,273,000 common shares. The new share capital amounts to €13,719,034.43 and is represented by 218,385,795 shares. The accrued interest through the date of conversion, €4.7 million as of 30 June 2006, will remain as a payable on Real's balance sheet.

Subject to shareholders' approval at an extraordinary general meeting scheduled for 29 September 2006, the agenda of which will be published in the coming days, the contribution of the outstanding principal amount, €44,795,079, of the Senior Secured Note will be contributed to equity at the trailing 30 day average common share price prior to the date of conversion. For example, at a share price of 0.31 per share, this would represent 144,500,255 new shares. The accrued interest through the date of conversion, €4.8 million as of 30 June 2006, will remain as a payable on Real's balance sheet.

With the approval of the conversion of both the G-1 Convertible Bonds and the Senior Secured Note by the Board of Directors, upon positive advice of the independent members of the board, the company will ask the shareholders to approve at the extraordinary general meeting scheduled for 29 September, as an inherent condition of the transaction, a warrant plan related to the Credit Suisse Senior Secured facility. The warrants, which will enable Credit Suisse to obtain 5% of the outstanding shares of the Company following the exercise thereof, are conditional upon the drawing of the second tranche of €10,000,000, from Credit Suisse. The use of proceeds of the second tranche would be to pay the outstanding interest under the G-1 Convertible Bonds and the Senior Secured Note and related fees.

The company will announce its half-year results as previously planned on 31 August 2006.

For more information, please contact:

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About Real Software

Real Software is a major European ICT services company. The core activities of Real Software are the automation and optimization of business processes and the associated ICT infrastructure. Thanks to its wide-ranging IT know-how (Java, Microsoft, iSeries, Oracle), and its extensive experience in specific industries (such as retail, manufacturing, banking and leasing, life science, utilities, textiles, public sector, food, wholesale) and functional domains (such as asset management, collaborative management, performance management and business intelligence), allows the group to provide innovative, total ICT solutions to help its customers improve their business performances, based on its own specialized solutions and competencies. For over twenty years, customers ranging from multinationals to medium-sized businesses across all industries have entrusted their projects to Real Software, including e.g. DuPont de Nemours, Johnson & Johnson, Merck Sharp & Dohme, STIB-MIVB, TF1, EDF – Electricité de France, Castorama, Carrefour, Blokker, Bandag, Philips, De Post, Agfa, BASF, DHL, Leaseplan, Océ KBC Bank and Fortis Bank. Real Software serves its customers from offices in Benelux and France. The headquarters are located in the vicinity of Antwerp (Belgium). For more information, visit www.realsoftwaregroup.com.