

PRESS RELEASE : 2005 ANNUAL RESULTS

Kontich, 23 February 2006

HIGHLIGHTS

Real Software Continues Its Year to Year Improvement of Operating Results.

- **Recurring Operating Result¹ improved by € 3.7m to a positive result of € 1.2m compared with 2004**
- **Net cash flow from operating activities improved by € 4.6m to a positive result of € 1.3m compared with 2004**
- **Equity improved by € 6.1m compared to last year due to incorporation of € 15.6m convertible bond into capital**
- **Major debt holder extended by one year the 50 % debt waiver on € 45m senior debt and delayed all capital and interest payments due in 2006 by one year**

Results for 2005 including the second semester

Key figures reported under IFRS as of 31/12/2005

| € m | 2005 | | | 2004 | | |
|---|------|------|-------|------|------|-------|
| | H1 | H2 | FY | H1 | H2 | FY |
| Turnover | 59,0 | 56,9 | 115,9 | 67,4 | 61,9 | 129,3 |
| Recurring operating result (footnote 1) | -0,3 | 1,5 | 1,2 | -1,3 | -1,2 | -2,5 |
| Operating result | 0,9 | -4,9 | -4,0 | 0,7 | -6,4 | -5,7 |
| Profit (Loss) before income taxes | -1,9 | -7,5 | -9,4 | -1,0 | -8,8 | -9,8 |
| Profit (Loss) | -2,4 | -7,7 | -10,1 | -1,6 | -8,5 | -10,1 |
| Net cash flow from operating activities | - | - | 1,3 | - | - | -3,3 |
| EPS (Euro) | - | - | -0,06 | - | - | -0,07 |
| Equity | - | - | -52,9 | - | - | -59,0 |
| Debt | - | - | 73,6 | - | - | 89,5 |

• Turnover

Group turnover for the second half of 2005 was € 57.0m, a decrease of 7.9% compared to the second half of 2004 (€ 61.9m) reflecting continued rationalization of the business. Total group's turnover for 2005 is € 115.9m, a decline of 10.3 % compared to last year (€ 129.3m).

It should be noted that turnover for the second half of year, which due to seasonality is generally lower compared to first half, increased from 92 % of first half turnover in 2004 to 96 % this year. This increased turnover ratio compared with the first half is an indication of the strengthened sales force.

¹ Recurring operating result = Operating result before non recurring revenue, restructuring charges, impairment loss and other non recurring charges.

- **Recurring Operating result¹**

Recurring operating result¹ for the second half of 2005 was € 1.5m, € 2.7m above 2004's comparable second half result (€ -1.2m). Compared with 2004, the recurring operating result¹ in 2005 improved by € 3.7m to € 1.2m. This results from improvement plans that have been implemented in the first semester 2005 resulting in better operational margins in divisions and lower overhead.

Compared to last year the improvement in the Services segment amounts to € 1.7m and in the Products segment to € 1.3m.

| Segment information € m | 2004 | | | | 2005 | | | |
|-----------------------------------|----------|----------|-----------|-------|----------|----------|-----------|-------|
| | Products | Services | Corporate | Group | Products | Services | Corporate | Group |
| Turnover | 43,0 | 86,3 | | 129,3 | 38,8 | 77,1 | | 115,9 |
| Recurr. oper.result (footnote 1) | -2,5 | 4,4 | -4,4 | -2,5 | -1,2 | 6,1 | -3,7 | 1,2 |
| % | -5,8% | 5,1% | -3,4% | -2,0% | -3,1% | 7,9% | -3,2% | 1,0% |

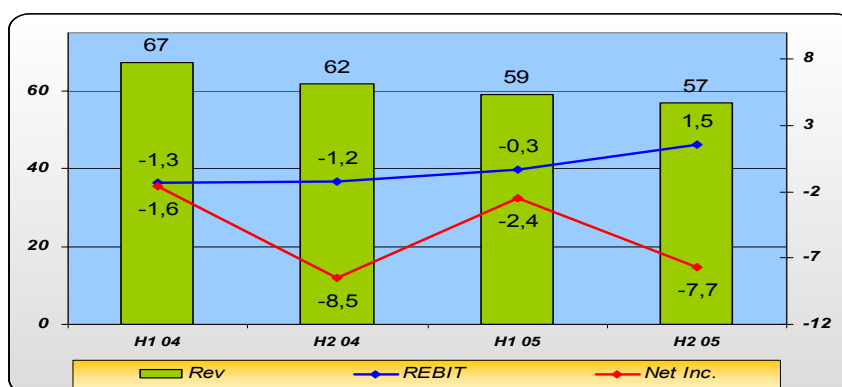
- **Operating result**

The operating result for the second half of 2005 was € -4.9m, which is € 1.6m better than the second semester in 2004. In second half 2005 an additional provision of € 5.9m for further improvement plans has been set up explaining the negative operating result in the second semester of 2005.

The operating result for 2005 was € -4.0m, € 1.7m better than 2004 despite a € 1.9m higher provision for restructuring versus the prior year. The result includes € 1,2m non-recurring revenue mainly from a favourable settlement with a former shareholder, €- 6.7m restructuring charges, and a € 0.3m release of provisions due to favourable settlements.

- **Net Result**

Net Group Result for second half 2005 is € -7.7m, € 0.8m better than last year demonstrating the continuing improvements. For 2005 the Net Group Result is € -10.1 m, same as last year. The financial result was € -5.4m, which is € 1.3m worse than last year due to € 0.8m one-time exceptional interest waiver received in first quarter 2004 from banks and additional cost of credit facilities put in place in 2005.



(note: REBIT = Recurring operating profit footnote 1)

- **Net Cash Flow from operating activities**

Net cash flow from operating activities was a positive € 1.3m on annual basis, €4.6m better than 2004, mainly due to a reduction in net working capital.

- **Equity / Debt**

Equity at end of 2005 amounts to €-52.9m, € 6.1m better than last year. This improvement results from the € 15.6m inclusion of the automatic convertible bond in July 2005 and a €0.8m capital increase to settle litigation with former shareholder which was partly offset with €-10.1m loss in 2005.

- **Headcount**

As of 31 December 2005, the Real Software Group had 1,155 employees compared with 1,251 on 31 December 2004².

- **Prospects for 2006**

For the fiscal year 2006 the group expects continued improvement in the operational results and effective stabilization of the group's activities. This is based upon further optimization of resources and productivity improvements in the Products segment and overhead and upon the impact of strengthening the sales force mid 2005.

- **IFRS**

The 2005 year end close is reported according to IFRS with comparable figures for 2004. As a result of IFRS adaptation equity as of 1 January 2004 has been reduced by € 45.4m. The conversion note will be made available on the website www.realsoftware.be.

- **Going concern**

The Board of Directors has drawn up the accounts as of 31 December 2005 under going concern based upon the following considerations:

- The significant improvement in recurring operating result¹ in 2005.
- The forecasted 2006 improvement in operating result.
- The delay of € 5.8m principal and € 3.7m interest payments on senior debt to 2007.
- The extension of 50 % debt remission on senior debt to 2007.

² The reported headcount on 31 December 2004 of 1,283 was reduced by 32, i.e. the number of employees who reached the end of their notice period on that day.

First time adaptation IFRS – reconciliation shareholders' equity and net result

The tables below illustrate the following:

- the impact of the adoption of IFRS on the shareholders' equity at the date of transition to IFRS 1 January 2004; at the end of the latest period presented under Belgian GAAP, 31 December 2004; 30 June 2005; and 31 December 2005.
- the impact on the result in the period ending on 31 December 2004, the impact on the half-year results for periods ending on 30 June 2004, 31 December 2004, 30 June 2005 and 31 December 2005.

All figures are in € 100,000 except were explicitly stated otherwise.

(€000's)

| | 1/1/2004 | 31/12/2004 | 30/6/2005 | 31/12/2005 |
|---|-----------------|-------------------|------------------|-------------------|
| TOTAL EQUITY (including minority interests) under Belgian GAAP | (160.733) | (36.301) | (40.749) | (37.040) |
| Adjustments | | | | |
| Scope of consolidation | (412) | (269) | (345) | (315) |
| Goodwill impairment | (43.565) | (20.947) | (18.141) | (14.072) |
| Research and development | (1.572) | (1.330) | (1.302) | (1.272) |
| Property, plant and equipment | 441 | 468 | 480 | 494 |
| Pensions | (337) | (337) | (336) | (335) |
| Financial instruments | - | - | (174) | (125) |
| Deferred taxes | 389 | 31 | 13 | 54 |
| Other | (337) | (337) | (337) | (337) |
| TOTAL EQUITY (including minority interests) under IFRS | (206.127) | (59.022) | (60.890) | (52.948) |

(€000's)

| | 2004 | 1H 2004 | 2H 2004 | 2005 | 1H 2005 | 2H 2005 |
|--|-------------|----------------|----------------|-------------|----------------|----------------|
| RESULT OF THE PERIOD under Belgian GAAP | (32.616) | (5.360) | (27.256) | (17.294) | (5.409) | (11.885) |
| Scope of consolidation | - | - | - | - | - | - |
| Reversal of goodwill impairment and amortization | 22.618 | 3.606 | 19.012 | 5.603 | 2.806 | 2.797 |
| Research and development | 242 | 206 | 36 | 1.331 | 29 | 1.302 |
| Property, plant and equipment | 26 | 13 | 13 | 26 | 13 | 13 |
| Pensions | - | - | - | 1 | 1 | 1 |
| Financial Instruments | - | - | - | 97 | 48 | 49 |
| Deferred taxes | (358) | (9) | (349) | 57 | (18) | 75 |
| RESULT OF THE PERIOD (group share) under IFRS | (10.088) | (1.544) | (8.544) | (10.179) | (2.531) | (7.648) |

Consolidated Income Statement for the year ended 31 December 2005

The consolidated financial statements have been authorized for issue by the Board of Directors on 22 February 2006.

| | <u>31/12/2005</u> | <u>31/12/2004</u> |
|--|-------------------|-------------------|
| | € '000 | € '000 |
| Operating Revenue | 117.286 | 130.474 |
| Turnover | 115.944 | 129.297 |
| Other operating income | 1.342 | 1.177 |
| Operating Charges | -116.041 | -133.010 |
| Purchases of goods | -11.655 | -11.594 |
| Services and other goods | -33.992 | -41.178 |
| Employee benefits expense | -69.105 | -77.094 |
| Depreciation and amortization expense | -1.059 | -1.533 |
| Provisions and allowances | 978 | 82 |
| Other operating expenses | -1.207 | -1.691 |
| Non-recurring revenues | 1.184 | 6.052 |
| Restructuring charges | -6.731 | -4.847 |
| Impairment loss | -1 | -550 |
| Other non-recurring charges | 311 | -3.854 |
| OPERATING RESULT (EBIT) | -3.991 | -5.735 |
| Share of profit of associates | -21 | -5 |
| Financial income | 84 | 340 |
| Financial charges | -5.510 | -4.439 |
| Profit (Loss) before income taxes | -9.437 | -9.839 |
| Income taxes | -681 | -249 |
| Profit (Loss) for the year | -10.118 | -10.088 |
| Attributable to: | | |
| Equity holders of the parent | -10.180 | -10.088 |
| Minority interest | 62 | 0 |
| | <u>31/12/2005</u> | <u>31/12/2004</u> |
| EPS (in Euro) | -0,06 | -0,07 |

Consolidated Balance Sheet for the year ended 31 December 2005

| | <u>31/12/2005</u> | <u>31/12/2004</u> |
|-------------------------------------|-------------------|-------------------|
| ASSETS | € '000 | € '000 |
| Non Current Assets | 35.284 | 35.841 |
| Goodwill | 28.355 | 28.355 |
| Intangible assets | 107 | 0 |
| Property, plant and equipment | 6.399 | 6.744 |
| Investments in associates | 65 | 86 |
| Deferred tax assets | 357 | 655 |
| Current Assets | 42.026 | 46.751 |
| Inventories | 608 | 1.360 |
| Trade and other receivables | 37.555 | 40.158 |
| Cash and cash equivalents | 3.863 | 5.233 |
| TOTAL ASSETS | 77.310 | 82.591 |
| EQUITY AND LIABILITIES | | |
| Shareholder's Equity | -53.266 | -59.277 |
| Share capital | 11.527 | 11.399 |
| Share premium | 419.957 | 403.672 |
| Retained earnings | -484.750 | -474.348 |
| Minority interest | 317 | 255 |
| TOTAL EQUITY | -52.949 | -59.022 |
| Non-Current Liabilities | 60.697 | 52.822 |
| Convertible loan notes | 15.000 | 0 |
| Obligations under finance lease | 3.039 | 3.224 |
| Bank loans and Other Borrowings | 39.461 | 46.684 |
| Other non-current liabilities | 0 | 458 |
| Retirement benefit obligations | 475 | 541 |
| Provisions | 2.721 | 1.915 |
| Deferred tax liabilities | 0 | 0 |
| Current Liabilities | 69.562 | 88.791 |
| Convertible loan notes | 0 | 15.613 |
| Obligations under finance lease | 211 | 192 |
| Bank overdrafts and loans | 15.922 | 23.846 |
| Trade and other payables | 47.030 | 42.068 |
| Current income tax liabilities | 233 | 0 |
| Provisions | 6.017 | 7.072 |
| Derivative financial instruments | 150 | 0 |
| TOTAL LIABILITIES | 130.259 | 141.614 |
| TOTAL EQUITY and LIABILITIES | 77.310 | 82.591 |

Consolidated Cash Flow Statement for the year ended 31 December 2005

| | <u>31/12/2005</u> | <u>31/12/2004</u> |
|--|-------------------|-------------------|
| | EUR '000 | EUR '000 |
| EBIT | -3991 | -5735 |
| Depreciation and amortisation | 1059 | 1533 |
| Impairment losses on assets | 1 | 550 |
| Write-offs on assets | | |
| Value adjustments of financial investments | | |
| Changes in provisions | -248 | 1913 |
| (Gains) / Losses on disposals of assets | 0 | 0 |
| Income from associates | | |
| Gross Operating Cash Flow | -3179 | -1738 |
| Changes in working capital | 4661 | -596 |
| Net Operating Cash Flow | 1482 | -2334 |
| Income taxes paid | -150 | -992 |
| Net Cash Flow from Opererating Activities | 1331 | -3326 |
| Interest received | 84 | 340 |
| Dividend received | | |
| Capital Increase | 16413 | 157330 |
| Increase / Decrease of loans | -16385 | -149909 |
| Increase / Decrease of receivables | | |
| Investments in intangible assets | -107 | 0 |
| Investments in property, plant and equipment | -723 | -606 |
| Acquisitions of investment property | 0 | -737 |
| New investments in associates | 0 | 0 |
| Disposals of intangible assets | | |
| Disposals of property, plant and equipment | 8 | 374 |
| Disposals of investment property | 0 | 1000 |
| Disposals of investments available for sale | | |
| Net Cash Flow from Investment Activities | -709 | 7792 |
| Interest paid | -1992 | -5853 |
| Dividend paid | | |
| Increase / Decrease financial liabilities proceeds | 0 | 0 |
| Increase / Decrease financial liabilities repayments | 0 | 0 |
| Cash Flow from Financing Activities | -1992 | -5853 |
| Effect of exchange rate changes | | |
| Effect of change in scope of consolidation | | |
| Changes in Cash and Cash Equivalents | -1370 | -1387 |
| Net cash position opening balance | 5233 | 6620 |
| Net cash position closing balance | 3863 | 5233 |
| Total Cash movement | -1370 | -1387 |

REPORT STATUTORY AUDITOR

REAL SOFTWARE NV

The statutory auditor confirmed that his audit work has been finalized in-depth. The opinion of the statutory auditor on the consolidated financial statements as of 31 December 2005 will be qualified as follows: The group recognized a restructuring provision for which the recognition criteria applicable to restructurings as defined by IAS 37, are not entirely met. Accordingly the provisions as of 31 December 2005 should be reduced by € 2,154,000 and the loss for the year then ended should be decreased by € 2,154,000.

The statutory auditor confirms that his audit work did not reveal any other significant adjustments to the financial information included in the press release.

The statutory auditor will, unless the circumstances should meanwhile modify, include an emphasis of matter paragraph in his opinion drawing the attention to the following uncertainty:

Although the company has incurred significant losses affecting the company's financial position and given the company's negative net equity and high debt ranking, the consolidated financial statements have been established by the Board of Directors under the assumption of going concern. These assumptions are only valid to the extent that the company continues to benefit from the financial support from its shareholders and can rely on other financial sources. Moreover, this assumption of going concern of the activities is only justified to the extent that the company successfully realizes the financial, technical and commercial objectives and recovery measures as described in the business plan.

February 22, 2006

The Statutory Auditor,

DELOITTE & TOUCHE
Reviseurs d'Entreprises SC s.f.d. SCRL
Represented by William Blomme - Partner

For more information, please contact:

REAL SOFTWARE:

Thierry de Vries
Prins Boudewijnlaan 26, 2550 Kontich
Tel. +32.3.290.23.11 - Fax +32.3.290.23.00
URL: www.realsoftwaregroup.com

About Real Software

Real Software is a major European ICT services company with revenue in 2005 of €115,9 million (IFRS) and more than 1,100 ICT specialists. Its activities are focused on the automation and optimization of business processes and the associated ICT infrastructure. Real Software's wide-ranging IT know-how (Java, Microsoft, iSeries, Oracle, etc.), combined with extensive experience in specific industries (such as retail, manufacturing, banking & leasing, life science, utility, textiles, public, food, wholesale) and functional domains (such as asset-, collaborative-, performance management, business intelligence, multi-channel marketing, etc.), allows the group to provide innovative, total ICT solutions to help its customers improve their business performance based on its own niche specific solutions and competencies. For over twenty years, customers – ranging from multinationals to medium-sized businesses across all industries trusted their projects to Real Software including DuPont de Nemours, Johnson & Johnson, Merck Sharp & Dohme, Renault, STIB-MIVB, TF1, EDF – Electricité de France, Castorama, Carrefour, Bandag, Philips, Goodyear, SNCF, PTT Post, KBC Bank and Fortis Bank. Headquartered near Antwerp, Belgium, Real Software serves customers from offices in Benelux and France. For more information, visit www.realsoftwaregroup.com.