

PRESS RELEASE : 2006 HALF YEAR RESULTS

Kontich, 31 August 2006

HIGHLIGHTS

Real Software closes half year with profit.

- Profit before income taxes of improves by €2,9m to a positive result of €0,8m compared to first half 2005².
- Shareholder plans to convert €60m of its Real Software debt into equity resulting in pro forma €8,6m positive equity based on reported half year results.
- New €23,5m credit facility provided by Credit Suisse of which €13,5m is drawn adding working capital to the company.

Results for first half 2006

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

in m €	2006 30 June	2005 ² 30 June	2005 31/dec	Variance
Turnover	52,0	57,6		-5,6
Recurring operating result (footnote 1)	1,2	-0,5		1,7
<i>as % Turnover</i>	2,3%	-0,9%		
Operating result	3,4	0,8		2,6
Profit (Loss) before income taxes	0,8	-2,1		2,9
Profit (Loss)	0,3	-2,6		2,9
Net Operating cash flow	1,4	-0,9		2,3
Equity	-51,2		-52,9	1,7
Debt	69,3		73,6	-4,3

** Prior to planned €60m debt to equity conversion*

• Turnover

Group turnover in first half of 2006 was €52,0m, a decrease of 10% compared to the first half of 2005² reflecting the company directed rationalization of the business that took place last year and through the first half of this year.

• Recurring Operating result¹

Recurring operating result¹ for first half of 2006 was €1,2m or 2,3 % of Turnover. Compared to first half of 2005² this is an improvement by €1,7m. This results from the improvement plans that have been implemented last year and through the first quarter of 2006 resulting in better operational margins in the products division and lower overhead.

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

² Reported 2005 numbers are restated for divestiture of 50% stake in StorkReal that took place begin 2006 simultaneously with appointment of Real Stork as reseller of Real Software's product RIMSES allowing both parties to focus on their core activities

Compared to first half of last year Recurring operating result in the Products division has improved from 1.3% to 5.9% of Turnover and Corporate overhead has been reduced from 5,3% to 3,9% of Turnover.

Segment information	H1 2006				H1 2005			
	Products	Services	Corporate	Group	Products	Services	Corporate	Group
Turnover	17,7	34,3		52,0	20,0	37,6		57,6
Recurr. oper.result (footnote 1)	1,0	2,1	-2,0	1,2	0,3	2,3	-3,1	-0,5
%	5,9%	6,3%	-3,9%	2,3%	1,3%	6,2%	-5,3%	-0,8%

- **Operating result**

Non-recurring revenues in first half 2006 include a €2,1 benefit due to the divestiture of Real's interest in the joint venture, StorkReal compared to a €1m favourable settlement reported in the first half of 2005². The operating result for the first half of 2006 was €3,4m which is €2,6m better than the first half of 2005² due to €1,7m better recurring operating results reported in the first half of 2006 and higher non-recurring revenues compared to first half of 2005.

Net Profit

Net Profit for first half 2006 is €0,3m which is € 2,9m better than last year mainly due to the improvement in operating results explained above. The financial result was €-2,7m, which is €0,2m better than last year mainly as a result of €15,6m conversion of convertible bonds.

- **Net Operating Cash Flow**

Net Operating cash flow for first half 2006 was positive € 1.4m, a €2,3m improvement over the first half of 2005² mainly due to better operating results, lower pay out of restructuring charges and lower net working capital.

- **Equity / Debt**

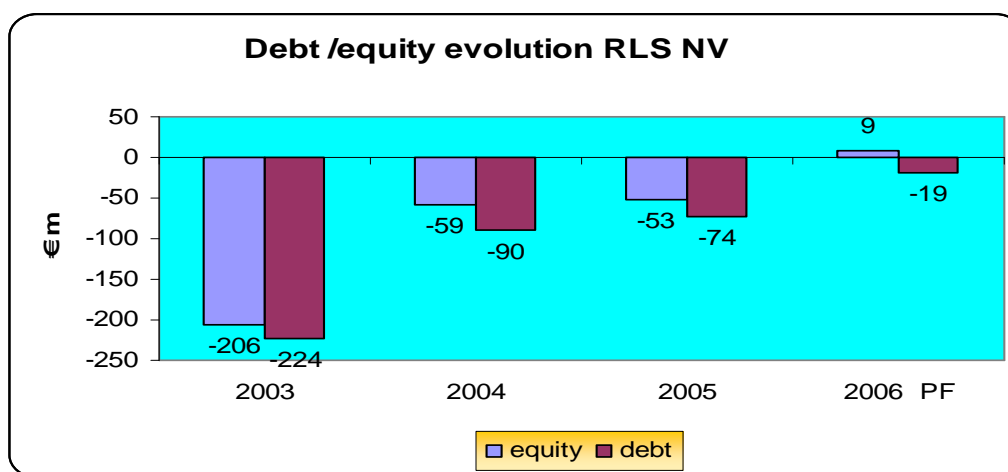
Equity at end of first half 2006 was €-51.2m, €1.7m better than year end 2005. In March 2006 a settlement was reached over a long standing dispute resulting in the contribution in kind of a receivable against Real Software NV increasing equity by €2.5m. Also in the first half of 2006 a €1m put option was exercised by co-investors in Oriam SA requiring acquisition by Real Software NV of remaining outstanding shares of Oriam SA by 1 December 2006. This transaction has been recorded as a short term debt against a reduction in equity of €1,0m. Finally in the first half year a net profit of €0.3m was reported and included in the equity of the first half 2006. Debt at end of first half 2006 was €69.3m, €4.3m below year end 2005 due to settlement of €2.5m long standing dispute, mentioned above, and reduction in factoring advances in France.

- **Headcount**

As of 30 June 2006, the Real Software Group had 1,012 employees compared with 1,115 employees on 31 December 2005. This reduction in headcount results mainly from implementation of improvement plans.

- **Events subsequent to 30 June half year close**

As announced to the press on 28 August 2006 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 latter is subject to shareholders' approval at an extraordinary general meeting that is scheduled on 29 September 2006. 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 €8,6m positive pro forma book equity value based upon half year 2006 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 and replacing €3,9m current short term credit facilities.



- **Prospects for 2006**

For the remainder of fiscal year 2006 the group expects continued improvement in the operational results and effective stabilization of the group's activities. The announced €60m de-leveraging of the balance sheet and simultaneous improvement of equity is the final cornerstone in the turnaround of Real Software. The focus is now on further optimization of operations and driving growth.

- **Going concern**

The board of directors have drawn up the accounts as of 30 June 2006 under going concern and have examined and approved net book value of positive consolidation differences based on announced equity refunding and re-financing of the company as disclosed under paragraph "events subsequent to 30 June half year close".

Consolidated Income Statement for the period ended 30 June 2006

The consolidated financial statements have been authorized for issue by the Board of Directors on 30th August 2006.

	<u>30/06/2006</u> EUR '000	<u>30/06/2005</u> EUR '000	<u>30/06/2005 (1)</u> EUR '000
Turnover	52.001	58.975	57.637
Other operating income	931	571	571
Operating Charges	-51.758	-59.867	-58.681
Purchases of goods for resale, new materials and consumables	-4.274	-5.034	-5.034
Services and other goods	-14.320	-17.578	-17.037
Employee benefits expense	-32.672	-36.466	-35.838
Depreciation and amortization expense	-556	-511	-505
Provisions and allowances	291	368	368
Other operating expenses	-227	-646	-635
Non-recurring revenues	2.275	1.221	1.221
Restructuring charges	138	0	0
Impairment loss	0	0	0
Other non-recurring charges	-151	24	24
OPERATING RESULT (EBIT)	3.436	923	771
Share of profit of associates	0	0	0
Investment revenues	0	0	0
Financial income	60	28	28
Financial charges	-2.720	-2.885	-2.885
Profit (Loss) before income taxes	776	-1.934	-2.086
Income taxes	-479	-511	-511
Profit (Loss) for the year	297	-2.446	-2.597
Attributable to:			
Equity holders of the parent	229	-2.531	-2.682
Minority interest	68	85	85
EPS (in Euro)	0,00	-0,01	-0,01

Weighted average number of shares for calculating basic earnings per share **185.394.061** **181.982.249** 181.982.249

(1) Restated for divestiture of 50 % stake in real Stork begin 2006 simultaneously with appointment of Real Stork as reseller of Real Software's product Rimses allowing both parties to focus on their core activities.

Consolidated Balance Sheet for the period ended 30 June 2006

	<u>30/06/2006</u>	<u>31/12/2005</u>	<u>31/12/2005 (1)</u>
ASSETS	EUR '000	EUR '000	EUR '000
Non Current Assets	35.135	35.284	35.261
Goodwill	28.357	28.355	28.355
Intangible assets	201	107	107
Property, plant and equipment	6.188	6.399	6.376
Investments in associates	63	65	65
Deferred tax assets	326	357	357
Current Assets	36.775	42.026	40.743
Inventories	773	608	608
Trade and other receivables	31.924	37.555	36.304
Cash and cash equivalents	4.078	3.863	3.831
TOTAL ASSETS	71.910	77.310	76.004
EQUITY AND LIABILITIES			
Shareholder's Equity	-51.167	-53.266	-53.709
Share capital	12.006	11.527	11.527
Share premium	421.994	419.957	419.957
Retained earnings	-485.166	-484.750	-485.193
Minority interest		317	317
TOTAL EQUITY	-51.167	-52.949	-53.393
Non-Current Liabilities	68.182	60.697	60.697
Convertible loan notes	15.000	15.000	15.000
Obligations under finance lease	3.039	3.039	3.039
Bank loans and Other Borrowings	45.284	39.461	39.461
Other non-current liabilities			
Retirement benefit obligations	447	475	475
Provisions	4.413	2.721	2.721
Current Liabilities	54.895	69.562	68.700
Convertible loan notes			
Obligations under finance lease	108	211	211
Bank overdrafts and loans	5.929	15.922	15.922
Trade and other payables	46.373	47.030	46.273
Current income tax liabilities	88	233	127
Provisions	2.397	6.017	6.017
Derivative financial instruments		150	150
TOTAL LIABILITIES	123.077	130.259	129.397
TOTAL EQUITY and LIABILITIES	71.910	77.310	76.004

(1) Restated for divestiture of 50 % stake in real Stork begin 2006 simultaneously with appointment of Real Stork as reseller of Real Software's product Rimses allowing both parties to focus on their core activities.

Consolidated Cash Flow Statement for the period ended 30 June 2006

	<u>30/06/2006</u> EUR '000	<u>30/06/2005</u> EUR '000	<u>30/06/2005 (1)</u> EUR '000
EBIT	3.436	923	771
Depreciation and amortisation	556	511	505
Impairment losses on assets			
Write-offs on assets			
Value adjustments of financial investments			
Changes in provisions	-1.957	-2.578	-2.578
(Gains) / Losses on disposals of assets	-2.122	-29	-29
Income from associates			
Gross Operating Cash Flow	-87	-1.173	-1.331
Changes in working capital	1.527	264	445
Net Operating Cash Flow	1.440	-910	-887
Income taxes paid	-592	-168	-168
Net Cash Flow from Operating Activities	848	-1.077	-1.054
Interest received	60	28	28
Dividend received			
Investments in intangible assets	-94	0	0
Investments in property, plant and equipment	-346	-292	-282
Acquisitions of investment property	-2		
New investments in associates	2	2	2
Disposals of intangible assets			
Disposals of property, plant and equipment	6	29	29
Gain on disposal of subsidiary	2.116		
Disposals of investments available for sale			
Net Cash Flow from Investment Activities	1.743	-233	-224
Interest paid	-619	-892	-892
Capital Increase	2.516	800	800
Increase / Decrease of loans	-4.273	684	684
Dividend paid			
Increase / Decrease financial liabilities proceeds			
Increase / Decrease financial liabilities repayments			
Cash Flow from Financing Activities	-2.376	592	592
Effect of exchange rate changes			
Effect of change in scope of consolidation			
Changes in Cash and Cash Equivalents	215	-718	-686
Net cash position opening balance	3.863	5.233	5.140
Net cash position closing balance	4.078	4.515	4.454
Total Cash movement	215	-718	-686

(1) Restated for divestiture of 50 % stake in real Stork begin 2006 simultaneously with appointment of Real Stork as reseller of Real Software's product Rimses allowing both parties to focus on their core activities.

Consolidated Statement of Changes in Equity for the period ended June 30, 2005

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Equity Reserves</u>	<u>Retained earnings</u>	<u>Minority Interest</u>	<u>Total</u>
Balance at 1 January 2005	11.399	403.672	0	-474.348	255	-59.022
Effect of changes in accounting policy (1)			15.613	-222		
As restated	11.399	403.672	15.613	-474.570	255	-43.631
Net profit/(loss)				-10.180	62	-10.118
Gains (losses) not recognised in income statement (specific by nature)						0
Transfer to income statement						0
Deferred taxes						0
Dividends						0
Change in scope of consolidation						0
Transfer within equity			-15.613			-15.613
Capital Increase	128	16.285				16.413
Other						0
Balance at 1 January 2006	11.527	419.957	0	-484.750	317	-52.949
Net profit/(loss)				229	68	297
Gains (losses) not recognised in income statement						0
Transfer to income statement						0
Deferred taxes						0
Dividends						0
Change in scope of consolidation						0
Transfer within equity						0
Capital Increase	479	2.037				2.516
Other (2)			-646		-385	-1.031
Balance at 30 June 2006	12.006	421.994	-646	-484.521	0	-51.167

(1) In accordance with IFRS 1 the group has decided to postpone to January 1, 2005 the first application of IAS 39- Financial Instruments: Recognition and Measurement and IAS 32- Financial Instruments: Disclosure and Presentation. The impact of the application of IAS 39/32 on the existing Interest Rate Swap and the Automatic Convertible Bond have been treated as a change in accounting policy on January 1, 2005. With respect to the floating for floating Interest Rate Swap with an notional of EUR 50.000.000, a fair value adjustment amounting to KEUR - 222 has been recorded in Retained Earnings in accordance with IAS 39/32 applied on January 1, 2005. With respect to the automatic convertible bond issued in 1998 and fully converted in July 2005, a reclassification from debt to equity reserves has been recorded amounting to KEUR 15.613 (notional amount) in accordance with IAS 39/32 as of Jan 1, 2005.

(2) In June 2006 the group has come to an agreement in principle with the minority shareholders to purchase the remaining 50% stake in it's subsidiary Oriam SA before the end of the year. In accordance with IAS 32 the purchase price to be paid was presented as a short term debt and the minority interest, together with the equity reserves were reduced.

Report statutory auditor

REAL SOFTWARE

LIMITED REVIEW REPORT ON THE CONSOLIDATED HALF-YEAR FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006

To the Board of Directors

We have performed a limited review of the accompanying consolidated balance sheet, income statement, cash flow statement, statement of changes in equity (jointly the “interim financial information”) of REAL SOFTWARE NV (“the company”) and its subsidiaries (jointly “the group”) for the six months period ended 30 June 2006. The Board of Directors of the company is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with the recognition and measurement criteria of IFRS as adopted by the European Union.

Our limited review of the interim financial information was conducted in accordance with the recommended auditing standards on limited reviews applicable in Belgium, as issued by the “Institut des Reviseurs d’Entreprises/Instituut der Bedrijfsrevisoren”. A limited review consists of making inquiries of group management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the auditing standards on consolidated annual accounts as issued by the “Institut des Reviseurs d’Entreprises/Instituut der Bedrijfsrevisoren”. Accordingly, we do not express an audit opinion.

The interim financial information of several entities included in the scope of consolidation which represent total assets of EUR 18.218 (000) and a total profit of EUR 972 (000) have been subject to a limited review by other auditors. Our conclusion on the accompanying interim financial information, insofar as it relates to the amounts contributed by those entities; is based solely upon the reports of those other auditors.

Per December 31, 2005 the Group recognized a restructuring provision for which the recognition criteria applicable to restructurings as defined by IAS 37, were not entirely met. Accordingly the provisions as of December 31, 2005 were to be reduced by 2.154.000 EUR and the loss for the year then ended was to be decreased by 2.154.000 EUR. Per June 30, 2006 the financial information of the company still includes this restructuring provision as set up last year. As of the date of our report we still believe that the recognition criteria applicable to restructurings as defined by IAS 37, are not entirely met.

We draw your attention to the fact that the half year consolidated financial information was established under the assumption of going concern and that the Board of Directors has examined and approved the net book value of the positive consolidation differences; which is justified by the Board of Directors on the basis of the announced equity refunding and the re-financing of the company measures as disclosed in the press release in the paragraph “subsequent events”.

Based on our limited review and based, to the extent necessary upon the reports of other auditors, and except for the above qualification (with regard to IAS 37) nothing has come to our attention that causes us to believe that the interim financial information for the six months period ended 30 June 2006 is not prepared, in all material respects, in accordance with legal and regulatory requirements and the recognition and measurement criteria of IFRS as adopted by the European Union

30 August 2006

The Statutory Auditor

DELOITTE Reviseurs d’Entreprises

SC s.f.d. SCRL

Represented by William Blomme

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About Real Software

Real Software is a major European ICT services company with revenue in excess of €100 million 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, Blokker, Bandag, Philips, Shopi, 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.