

Real Software realizes strong first half of the year in Europe with an EBIT margin of 18,6%. US again profitable, after thorough restructuring.

Market leadership in e-Business offers good perspectives in the second half of the year.

1. 1H00 results

In the first half of 2000 Real Software's revenues amounted to 128,1 m EUR, with a strong focus on the integration of the different subsidiaries and more than 25% of the activities in e-Commerce.

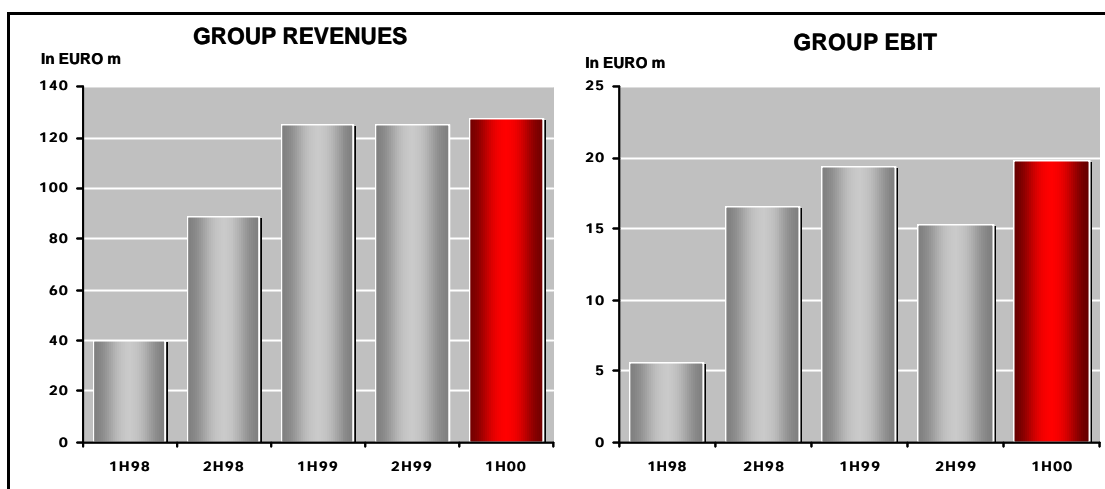
In Europe, despite of the difficult market conditions, a strong turnover increase of 21% was realized, of which 11% was internal growth. It is especially the balanced offer of own products, tailor-made solutions and consulting that allowed this growth. The US experienced, as announced before, an important decrease in turnover compared to the strong first semester in 1999. The first semester of 1999 was characterized by a unique Y2K revenue flow and the integration of TAVA in the consolidation for only one quarter (Q2), during which TAVA realized a turnover of 24 m EUR. In Q2 of FY00 Real Enterprise Solutions realized a first turnover increase compared to the previous quarter, as a result of the reorientation of the activities. The original Real Software group¹ experienced, in a rather difficult market environment, again a strong internal turnover growth of 19%.

The fastest growing sectors in the group were retail and finance & insurance, that added new important customers like Credit Suisse, Ahold (Gall & Gall), Bart Smit, etc. The most important market for the group is the Benelux, with 54% of all group sales, the US with 18%, France with 15% and the UK with 6%.

The group EBIT amounted to 20 m EUR, as a result of which the EBIT margin rose to 15,6%, compared to 13,9% for the year 1999. Compared to the last semester of 1999 an important margin improvement was realized – from 12,3% to 15,6% - in particular thanks to the increased license sales.

Geographically there were also important differences. Europe realized an EBIT increase of 17,7 to 19,7 m EUR, with an EBIT margin of 18,6%. In the US the EBIT margin rose from -1,5 % to 1,2% compared to the last semester of 1999 and 4,6% in the first half of the year 1999. The exceptional reorganization costs in the US during the first half of the year amounted to 12,6 m \$. Therefore a provision of 5,0 m \$ was foreseen last year. The consolidation difference was raised with 7,6 m \$ (8,0 m EUR).

¹ The original Real Software Group is the group as it was composed before the IPO in 1997.



The net current pro-forma² group result (before depreciations on acquisition goodwill) rose with 33% compared to the previous semester and decreased with 12% to 8 m EUR compared to the first half of the year 1999, under the influence of the higher financial costs, the weak results in the US and the increased share of the minority interests in the profit.

In case of a consolidation of the additional holdings in Aerial and Sycron as of July 1st 2000, the net current group result increases by 10% compared to the first semester of 1999, and decreased with 31% to 6,5 m EUR compared to the first semester of 1999.

The financial result, excluding the depreciations on acquisition goodwill, rose to 5,6 m EUR negative, compared to 0,6 m EUR negative last year. This was entirely due to the outstanding net financial debt of 223 m EUR (including 19,8 m EUR automatically convertible bonds).

The depreciations on acquisition goodwill amounted pro-forma to 6,8 m EUR, compared to 4,2 m EUR last year. The increase is mainly the consequence of the acquisition of FSS, Britannia and Bull Healthcare UK and the supplementary holdings in Axxent, Cresus, Aerial and Sycron. In case of a consolidation of the additional holdings in Aerial and Sycron as of July 1st 2000, the depreciations on acquisition goodwill amount to 5,3 m EUR. The extraordinary result was negative, as a consequence of the costs from the capital increase.

The net group result amounted pro-forma to 0,6 m EUR by the combination of higher financial charges, increased goodwill depreciation and the announced weak US results.

² The pro-forma result is the result that takes into account the consolidation of the acquired minority holdings in Aerial and Sycron as of January 1st 2000, as well as the new shares that were created for this transaction.

The net cash flow of the group amounted pro-forma to 9,6 m EUR, which is 8% more than last year. In case of a consolidation of the additional holdings in Aerial and Sycron as of July 1st 2000, the net group result amounts to 0,5 m EUR ; the net cash flow to 9,3 m EUR.

2. US restructuring

In the US the reorganization that started at the end of 1999 was continued, and had following objectives : a decentralization in regional centres, the introduction of a customer and sector focus and the development of an American distribution channel. Therefore a provision of 16,3 m \$ was foreseen, of which 11,3 m \$ was already invested in 1999.

In the first half of the year the emphasis was on the execution of the reorganization plan for which 10 of the 19 offices were closed, which resulted in a headcount reduction and a strong decrease of overhead costs. During the execution of this phase of the restructuring plan there were additional cost factors as well as slowing elements. The costs for the headcount reduction in this first phase amounted to 7,4 m \$ instead of the expected 5 m \$; an additional 0,7 m \$ was needed for the office closures.

In the scope of the same plan additional restructuring measures were taken for a total amount of 4,5 m \$, and the sector focus was brought in line with the Real Software business model. Seven sectors were abandoned and retail, finance/insurance were introduced. The entire implementation, this is the office closures and the sector reorientation, resulted in a headcount reduction of 373 people, compared to the estimated reduction of 250. The total reorganization cost in the first half of the year amounted to 12,6 m \$. The consolidation difference was raised with 7,6 m \$.

Thanks to these efforts Real Software now disposes of the right platform in the US, with a cost structure in line with the European one, a dynamic management, a team of 280 skilled people and a sales channel for the group products. The new sales team of 40 people is ready to sell Real Software's mixed service and product offer.

Based on the large sales pipeline in the US, the launch of own products as well as the cross-selling of European products, a pickup of the US sales is expected in the second semester. The EBIT margin in the US will continue to increase in the second half of the year.

3. Strategic evolutions in the first half year

Strong focus on e-Commerce

During the first half of the year Real Software realized more than 25% of the group turnover in e-Commerce projects and initiatives. The important part of e-Commerce in the group turnover is the result of the group's strong focus on these strategic developments. The group developed more than 30 basic applications for e-Commerce, for frontoffice – like Hottrade, software for vertical netmarkets ; Frontstore, software for chains of stores ; Hotrate, a search engine that can be integrated in a website ; Real Portfolio, portfolio management ; eSmart, an own CRM application ; VarE-Docs, personalized document management – as well as for the entire backoffice (ReMax, ERP solution ; WICS, logistic management ; R.eBank, virtual banking, etc.).

The Real Software Group is with more than 150 customers and more than 660 employees active in the development and implementation of these business critic e-Commerce applications. This is 27,5% of the total number of employees (2404).

In the first half of the year Real Software also invested considerably in the new economy by means of co-startups and joint-ventures. In particular, together with specific, successful industrial partners, netmarkets were established for ecology and waste management (Eco2B, 50% holding), the transport sector (Trans2B, 30%) as well as for the trade of micro-electronics and IT equipment (Tradical, 40%). Each vertical market is based on the technology of HotRate.com Technologies and the knowhow and products of Real Software. In general, Hotrate is responsible for 20% of these netmarket projects, Real Software for 80%.

Through these channels the group can offer its products and services on ASP (Application Service Provider ; the 'renting' of software through the Net), enlarge its customer reach and generate new revenues (fees, advertising revenues, etc.).

Breakthrough in the Netherlands : outsourcing NedCar – joint venture with KPN

From the start the Dutch market has been a constant growth market for Real Software, thanks to important product sales like Rimses, WICS, Sycron, etc, and major projects with a.o. Océ and Nedcar. The start of the entire outsourcing of Nedcar's automation activities, together with KPN, means a breakthrough on the Dutch market. Real Software and KPN establish a 50/50 joint venture where they will combine their complementary services. Real Software was selected for the complex application developments, in particular for the automotive industry. Both parties are examining the possibility to use this platform for their further expansion in respectively the Netherlands and Belgium. It is a textbook example for the creation of meta-markets, where different suppliers of the automotive industry are involved in the internal company processes of the car manufacturers.

Complete Supply chain - Manufacturing offer

One-stop-shopping in Switzerland

With the 55% holding in the Swiss company Full Speed Systems, Real Software acquired JDEdwards knowledge and customer base and completed its Supply chain/Manufacturing offer. With the larger companies SAP is implemented on corporate level. JDE is also present on this level, but is mainly used for the automation of the Supply chain and the Manufacturing. ReMax is especially successful in manufacturing environments inside large companies. In the middle market - i.e. companies with a turnover inferior to 125 m EUR - SAP as well as JDE and ReMax are implemented. With this partnership Real Software also acquired an important platform for its one-stop-shopping in Switzerland, where it wants to focus on Business & Industry and on the financial sector with customers like Credit Suisse and UBS.

4. Real Software's asset : its total offering

Since its establishment Real Software has been striving for a large platform of IT products and services in opposition to the specialist approach of its competitors. Real Software profiles itself as a one-stop-shopping IT company, focused on 6 vertical sectors and 3 main activities, i.e. the development of **own products** and **related services, tailor-made solutions** and **consulting** for third party products (in particular SAP and JDE). In the first half of 2000 the part of the turnover represented by own products (including services) amounted to 46%, tailor-made solutions to 34% and consulting to 20%. The part of the turnover represented by license sales and the related maintenance contracts ran to 15% thanks to the excellent sales of a.o. software for the retail sector (Sycron) and netmarkets (Real Software/Hottrade), the own ERP solution ReMax, asset management (Britannia) as well as banking software (Real Software Finance). The part of the turnover represented by third party products continued to fall due to the increasing offer and the importance of the own products on the one hand, and the weak ERP market on the other hand.

The total approach – a combination of products and services – allows companies to turn to only one IT supplier for all their IT needs and is the ideal basis for maintaining customers and establishing long term relationships. This total offer is the basis of the balanced Real Software business model that can handle a change in activities due to modified market conditions. The increased software sales make the turnover growth less dependent of the personnel growth.

5. Accelerated integration by acquisition of minority holdings in 3 subsidiaries and strengthening of financial structure

In June 2000 Real Software raised its holdings in Sycron, Aerial and Axxent to 100%, without any modifications in the management.

The synergetic effect of these two successful companies, Sycron – market leader in the Benelux for retail solutions – and Aerial – major one-stop-shop player on the French market, could already strongly be sensed within the group and will even be strengthened. By means of the full acquisition of Axxent, Real Software wants to centralize the network knowledge within the group and come to an increased synergy.

The financial structure of the group was considerably strengthened in June by the share swap with the minority shareholders of Sycron (Belgium) and Aerial (France). In all 1,011,380 new shares were issued in exchange of the 50% shares of both companies Real Software did not have in its possession yet. This strengthened the equity of the group with 67 m EUR and reduced the estimated buy-out obligations of all minority holdings with more than 104 m EUR. The remaining buy-out obligations of minority holdings is now estimated at 69 m EUR, spread over a period of 4 years.

The optional dividend of the beginning of July meant a capital increase (with 1,4 m EUR) and the creation of 24,652 new shares. In addition, 62,580 new shares were created from the anticipated conversion of convertible debt.

6. Outlook

The outlook for the second half of the year is very good, thanks to the increasing demand for IT services, especially for technically complex applications with e-Commerce functionality. This is the ideal environment for the Real Software Group, which has a lot of success thanks to the combination of own frontoffice and backoffice software for e-Commerce, and knowledge of all important systems. For the US a continuation of the turnaround is expected, with an increase of the sales and a normalization of the EBIT margin. As a consequence, an improvement of the EBIT margin on the group level is expected. The EBIT growth for 2000 is estimated at 35%.

7. Review report of the auditor

We performed a limited review of the semi-annual information of Real Software NV for the period ended 30 June 2000, in accordance with the standards of the 'Institut des Réviseurs d'Entreprises'. A review is substantially less in scope as is required for the certification of the consolidated annual accounts.

In accordance with article 19 of the Royal decree of October 8th 1976, for TAVA Technologies Inc. were taken into account all risks and possible losses originated from previous financials years. These additional provisions, which amount to 7,6 million USD (8,0 million EUR), have been set up for the restructuring problems prior to the acquisition of Tava Technologies Inc. As the provisions relate to problems prior to the acquisition, the consolidation difference as determined in 1999 was increased by the provision. This amount of 7,6 million USD (8,0 million EUR), complements the amount of 16,6 million USD (16,2 million EUR) already set up in 1999, and concerns additional provisions for the in 1999 already formulated restructuring plan. The depreciations on the consolidation difference include on the one hand the depreciation concerning financial year 1999, as the cause resides in financial year 1999, and on the other hand the depreciations for financial year 2000.

During our review we did not identify any information that would require major adjustments to the figures recorded in the semi-annual report.

Brussels, September 14th 2000
Ernst & Young Bedrijfsrevisoren BCV
Represented by Erik De Lembre, Partner

(End press release)

For further information:

REAL SOFTWARE	
Dina BOSCHMANS	Johan PEDE
Marketing Communications Manager	Finance Director
E-mail : Dina.Boschmans@realsoftware.be	Johan.Pede@realsoftware.be
Prins Boudewijnlaan 26, 2550 Kontich , Tel. +32.3.290.23.11 - Fax +32.3.290.23.00	

PRESS RELEASE
Under EMBARGO until September 14th 2000, 5pm
Kontich, September 14th 2000

Consolidated Results	1H00	1H00	2H99	1H99	2H98	1H98	1H97
EUR m	pro forma (b)						
Revenues	128.1	128.1	125.3	125.4	88.9	40.0	17.6
Operating charges	-108.1	-108.1	-109.9	-105.9	-72.3	-34.3	-14.8
- of which depreciation of fixed assets	-2.2	-2.2	-2.3	-1.6	-1.5	-0.4	-0.2
Operating profit (EBIT)	20.0	20.0	15.4	19.5	16.6	5.7	2.9
EBIT margin	15.6%	15.6%	12.3%	15.5%	18.7%	14.3%	16.3%
Financial Result (before goodwill depreciation)	-5.6	-5.6	-3.8	-0.6	-0.9	-0.6	-0.1
Goodwill depreciation	-6.8	-5.3	-3.8	-4.2	-1.2	-0.3	0.0
Financial Result	-12.3	-10.8	-7.6	-4.8	-2.2	-0.8	-0.1
Current pre-tax result	7.6	9.1	7.8	14.7	14.4	4.9	2.7
Taxes	-4.2	-4.2	-4.2	-7.1	-5.9	-2.4	-1.2
Extraordinary result	-0.6	-0.6	2.5	-3.3	0.1	0.0	-0.6
Minorities	2.2	3.8	1.8	2.5	2.9	0.4	0.2
Net current group result (before goodwill)	8.0	6.5	5.9	9.3	6.8	2.3	1.4
Net group result	0.6	0.5	3.2	3.1	5.6	2.0	0.7
Net group cash flow (a)	9.6	8.0	9.3	8.9	8.4	2.7	1.0
Number of shares in million	15.088	14.077	14.077	14.077	12.935	12.935	12.319
EPS current (€)	0.53	0.46	0.42	0.66	0.52	0.18	0.11
EPS net (€)	0.04	0.04	0.23	0.22	0.46	0.13	0.08
CFS net (€)	0.64	0.57	0.66	0.63	0.65	0.21	0.08

(a) Net group cash flow = Net group result + Goodwill Depreciation + Depreciation of fixed assets

(b) Pro Forma results: Results of the Group when consolidating the additional stakes of Airial and Sycron from January 1st, 2000 onwards, considering the additional number of shares created for that purpose

Geographical breakdown	1H00	2H99	1H99	1H00/1H99	1H00/2H99
Europe					
Revenues	105.6	95.3	87.3	21%	11%
EBIT	19.7	15.9	17.7	11%	24%
	18.6%	16.6%	20.3%		
USA					
Revenues	22.5	30.0	38.0	-41%	-25%
EBIT	0.3	-0.4	1.7	-85%	-40%
	1.2%	-1.5%	4.6%		
Group					
Total Revenues	128.1	125.3	125.4	2%	2%
Total EBIT	20.0	15.4	19.5	2%	30%
	15.6%	12.3%	15.5%		
Revenue split USA - Europe					
US	18%	24%	30%		
Europe	82%	76%	70%		

Core Group Results	1H00	2H99	1H99	1H00/1H99	1H00/2H99
Revenues	34.6	27.7	29.1	19%	25%
EBIT	7.4	5.7	5.8	28%	31%
EBIT margin	21.4%	20.5%	20.0%	+ 1.5%	+ 0.9%

Balance Sheet per 30/06/00			
in m EUR			
Fixed assets	<u>286.3</u>	Equity and equity linked	<u>143.2</u>
Intangible assets	0.6	Shareholders' equity	107.6
Acquisition goodwill	202.4	Aut. Convertible Debt	19.8
Tangible assets	14.9	Minorities	15.8
Financial assets	68.5	Provisions	5.2
		LT Financial debt	124.3
Current assets	<u>138.9</u>	Current liabilities	<u>152.4</u>
Cash & equivalents	16.0	ST Financial debt	94.7
WIP & Inventory	14.2	Trade debts	19.7
Trade receivables	75.3	Advance payments	3.1
Other current assets	33.5	Other liabilities	34.9
Total assets	425.2	Total liabilities & Equity	425.2