



**Press Release**  
**Under embargo until 03 March 2000, 5pm!**  
**Kontich, 3 March 2000**

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**Real Software continues progress in 1999, the year of internationalisation.  
Turnover +95%, Net Current Group Result<sup>1</sup> +68%, Net Cash Flow +69%,  
EPS current<sup>1</sup> +54%**

For **Real Software**, 1999 has been the year of international breakthrough; for the first time, the group realized 49% of its turnover outside of the Benelux countries. In the United States, Luxembourg and the United Kingdom, the group captured significant market share, especially in the Healthcare, Finance & Insurance and Business & Industry sectors.

The Group revenues increased by 95% to EUR 251 m. This remarkable growth is the result of internal and external growth factors. The EBIT has increased by 57% to EUR 35 million, with a margin of 14%. Net profit has decreased by 17% to reach EUR 6.3 million, primarily as a result of higher goodwill depreciation charges (EUR 8.0 m). The current net profit (before goodwill depreciation) increased by 68% to EUR 15.2 m or EUR 1.08 per share (+54%). The Group's net cash flow was EUR 18.2 m (+69%).

**Real Software takes leader position in E-commerce applications**

The Real model consists of powerful business units, with a solid industry-specific focus. Consequently, e-commerce has penetrated in no time all the products, systems and ways of thinking within the group. Almost every business unit has managed to develop e-commerce products in an unparalleled fast way. The exchange of experiences between the various business units also makes the know-how with relation to e-commerce unique. Today, Real Software can boast with a rich portfolio of operational and successful e-commerce applications that are fully operational ("live"). Few software companies have more than 350 IT specialists that are exclusively active in e-commerce. Today, the product portfolio comprises as much as 31 base applications for e-commerce. In addition, 13 new products are being developed to be released this year.

**The Real Business Model proves soundness: stronger turnover growth than the market, the high EBIT margins in its "peer group" and leader in technological innovations**

The combined, positive action of the following factors are proof of the soundness of the Real model:

- The strong autonomous growth of more than 30%, which is much higher than the market growth rate in 1999 (despite the relapse of the ERP and Y2K markets)

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<sup>1</sup> Net Current result: net current result prior to depreciations on acquisition goodwill



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- The more than doubling of the license income from Real Software's own products (from EUR 13 m to EUR 32 m)
- Break-through on the e-commerce market in several areas
- The realization of 8 acquisitions and 1 joint-venture

Thanks to the organizational system with the decentralized and autonomous business units, which operate within an entrepreneurial corporate culture, Real Software reacts rapidly to changing market conditions (slow down in ERP market) and can immediately take advantage of opportunities (e-commerce).

### **A targeted external growth**

In 1999, Real Software bought a total of eight companies and created a joint venture in strongly complementary sectors. External growth contributed to the Group turnover for the amount of EUR 74 m. In all, 849 new colleagues have joined our organization. Internationalisation has been the real catalyst for our partnerships in the USA, UK (4 acquisitions), Luxembourg, Singapore and Germany. The acquisitions of TAVA Technologies and Proget provided the Group with critical mass in the United States and Luxembourg respectively.

Vertical integration<sup>2</sup> was the determining factor in our acquisition of four other companies: Infoplex ( a super-fast data mining tool for a.o. the healthcare sector), Shire Systems (maintenance management software for the Business & Industry and Utilities sectors), Software Decisions (management software for international container transport) and Britannia (software for international asset management).

In July, we started up HotRate.com (a second generation search engine) and HotTrade.com (e-commerce software tool for business-to-business applications). These two new entities are recording strong development requests and employ a dozen of developers.

Each of the acquired companies was included in the perimeter of consolidation as from the moment of taking control or at a near future date (April for TAVA Technologies, July for Britannia, October for Bull UK Healthcare and January for all the other companies). In 1999, a total of EUR 240 m of the equity capital was used for acquisitions and the buy-out of minority interests and EUR 9.8 m for investments in tangible fixed assets.

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<sup>2</sup> Vertical integration stands for the further penetration of the 6 sectors of interest: Business & Industries, Finance & Insurance, Utilities, Pharma, Healthcare & Government Related, Retail.



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### **Partial Group integration**

In 1999, thriving distribution networks were set up in the United States for the pharmaceutical software programmes of Oriam and Infoplex, which enabled the group to win such major customers as Ely Lili, Merck-Sharp & Dohme, Biogen and Zeneca USA. In France, the total solutions (hardware + software) of Sycron for the distribution sector were successfully marketed; in its first year of operations, Sycron has realized 6% of its turnover with major customers such as Carrefour-Promodès.

During the second half of the year, the various operations, both in the USA and in Luxembourg, were integrated to form one-stop-shops under the "REAL" name. From now on, all products and services are offered in the USA under the name of "**Real Enterprise Solutions**", and in Luxembourg the former software companies "Cresus Luxembourg (Portfolio Management) and "IBSY" (Integrated Banking Software) are already operating under the name **Real Software Luxembourg** and **Real Software Finance** respectively. The computer services company Proget, acquired in 1999, will also change its company name soon. In the United States, the integration of TAVA, INC and Real Software North America within **Real Enterprise Solutions** has brought about recurrent yearly cost-savings amounting to EUR 14 m in total.

### **Reinforcement of the management team with a view to accelerated internal and external growth**

In order to encourage the creation of additional synergy and the sustaining of internal and external growth, the management team was reinforced at the beginning of this year with Theo Dilissen. As Chief Operating Officer (COO) of the Danish ISS Group, he accomplished more than 70 successful acquisitions in two years and has succeeded in shifting the focus, within an expanding group, to customer orientation and business unit responsibility. As Deputy CEO, Theo Dilissen will be able to put his considerable experience in international management at the disposal of the Real Software Group.

### **Further group internationalisation**

49% of the Group's turnover was realized outside of the Benelux countries, Real Software's home market, as against 34% in 1988. Of this percentage, 27% was realized in the United States, 15% in France and 5% in the United Kingdom. Internationalization is essentially the result of external growth, focused on a policy of international service to Real customers, economies of scale through a world-wide product distribution and the reduction of country-specific risk.



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## **License income increases by 150%**

In 1999, for the fourth consecutive year, revenue from the Group's own software programmes increased (to 13%). If one includes the computing services associated with these product sales, the "own product" part of Group turnover now amounts to 41% of the group turnover. The products of Sycron, Rimses, ReMax, ReMax Finance, Oriam contributed to a large extent to the product turnover. The sectors that predominate in the Group turnover are Business & Industry, Retail and Finance & Insurance, with 47%, 15% and 12% respectively.

## **Results**

The EBIT increased by 57% for margin of 14% (-3,4%). Europe (72% of the turnover) produced an EBIT margin of more than 18.5%. Geographically speaking, the Benelux countries recorded the highest EBIT margin (20%). In the USA, business was negatively influenced by the effects of the rapid and unexpectedly early slump in the demand for Y2K solutions, in parallel with a persistently weak ERP market. This accelerated the planned reorientation and the reorganization of the company.

The current net profit before goodwill depreciation increased by 68% to EUR 15.2 m, thanks to a strong turnover growth and despite an operating margin that was slightly weakened. The financial result amounted to EUR -4.4m, primarily under the effect of interest charges on the new financial debts incurred for the financing of the acquisitions and the convertible bonds. Current net profit per share before goodwill depreciation amounted to EUR 1.08, an increase by 54%. The tax burden for the Group remained practically unchanged and amounts to 42%.

The net cashflow (net profit, depreciation of fixed assets and goodwill depreciations) increased by 69% to attain EUR 18.2 m. The size of the cashflow represents a non negligible source of self-financing.

## **Reorientation of the US activities**

Last November, Real Software's US activities were the object of a profit warning. In spite of this, the management is still convinced of the fact that the take-over represented both an opportunity and a necessity for a world-wide break-through.

As was stated clearly at the beginning of TAVA's take-over, the company's business proposition was fairly limited, but combined with Real's service package (software "products" and "high end ERP" solutions), this offer will be unique for the customer. This new Real Software – TAVA combination mainly offers its primarily industrial customers an integrated and balanced IT solution, ranging from production automation to ERP.



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TAVA offers a solid access to the US market. Nevertheless, a fundamental reorientation was necessary to be able to evolve to a long-lasting, high profitability. The "Real business model" needs to be further implemented in the US. The typical Real model implies a fixed cost (the total of sales and marketing costs, general and administrative costs) of only 16%, which is clearly in contrast with TAVA's 32% fixed cost.

The reorientation plan of the TAVA activities and the American organization is aimed at substantially lowering the fixed costs. This plan will be finalized on 30 April 2000.

For the first group consolidation of TAVA, the reorientation costs were included in the opening balance at take-over, resulting in an increase of acquisition goodwill. In the project of the consolidated financial statements for the financial year 1999, at the creation of the opening balance of TAVA, a provision for restructuring costs was included for the costs resulting from the decrease in the number of non-productive employees. For the fixation of this provision, the amount - \$ 11.3 m - was included as of acquisition date. Real Software depreciates its acquisition goodwill over a period of 20 years.

### **Financing growth in 1999**

The internal growth was financed to a large extent by the trading cashflow ("EBITDA"), which increased from 23.9 to EUR 38.8 m in 1999. External growth was also financed by the funds of the capital increase in March (for a total amount of EUR 98 m). This operation successfully created 927,000 new shares. The capital increase being primarily intended for the acquisition of TAVA Technologies in April, the increase in equity capital was entirely compensated with a part of the acquisition goodwill concerned. This once-only transaction resulted in a decrease of the depreciation burden on acquisition goodwill with EUR 3.6 m. Equity capital in the strict sense of the term was reinforced by EUR 8 M thanks to the anticipated conversion of convertible bonds into 226,600 new shares. In total, the number of shares after share emission and bond conversion increased by 8.9% to reach 14,088,338.

### **Dividend**

The board of directors proposes to the general shareholders meeting an optional dividend, 21% higher than in 1998, namely EUR 0.21, leaving room for further investment growth.

### **Strong Personnel Increases and Continued R&D Efforts**

Group personnel increased sharply in 1999, moving from 1624 to around 2800 people today, resulting from a combination of internal growth and acquisitions.

The Group is determined to deploy 10 to 12% of its total workforce in product development, as a sustainable and indispensable investment for the future. The overhead costs remain under control with about 5% of the personnel allocated to administrative tasks.



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## **Outlook for 2000**

The Real Software Group confirms its confidence in the months ahead, given the explosive demand of IT services throughout the world, in all the sectors in which the group is a predominant player (especially in e-commerce and supply chain) for which the group can rely on its profound experience, its in-depth knowledge and its product offer intended for several key sectors.

The rapid development of e-commerce constitutes a further growth factor with, at present, more than 350 IT specialists (or 13% of the total) active in this area. The enlargement of the Internet to the whole of the e-commerce mainly shifts the customer focus of websites to the complex underlying back-end processes (purchase, sale, production and logistics). This development, entirely to the benefit of the Real Software Group, forces companies to integrate, from end to end, the new e-commerce applications with the existing IT infrastructure and the ERP management software programmes. Real Software can here call on its profound experience both in the area of company procedures and of technical software programmes and other products, that constitute an excellent base for e-commerce applications.

In 2000, the management further wishes to emphasize the quality of their products and services. In 2000 we expect a very strong internal growth and an increase of the EBIT margin. The acquisition policy will be continued if we can acquire the right partnerships for the right conditions.



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## REAL SOFTWARE GROUP

### Key figures in EUR million

	1997	1998	1999	1999/8
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<b>Income statement</b>				
Operating income	40,0	128,8	250,7	95%
Turnover	39,6	128,2	248,4	94%
Operational Cash Flow ( " EBITDA " )	8,2	23,9	38,8	62%
Operating profit ( " EBIT " ) (1)	7,6	22,3	34,9	57%
Financial result (1)	-0,3	-1,5	-4,4	193%
Financial result	-0,3	-3,0	-12,4	312%
Goodwill depreciation	-0,1	-1,5	-8,0	432%
Result from ordinary activities	7,2	19,3	22,5	17%
Extraordinary result	-0,9	0,1	-0,9	N.R.
Profit for the year before taxes	6,3	19,3	21,6	13%
Profit after taxes	3,4	11,0	10,3	-6%
Minority interests	0,7	3,4	4,3	29%
Net Cash Flow (part of the group) (2)	3,2	10,8	18,2	69%
Net Current Result (part of the group) (1)	3,7	9,1	15,2	68%
Net Group Result (part of the group)	2,7	7,6	6,3	-17%
<b>Balance sheet info</b>				
Capital & Reserves	4,7	27,5	45,3	65%
Capital & Reserves extended def. (3)	4,7	54,9	65,1	19%
<b>Per share results</b>				
EPS current before goodwill	0,30	0,70	1,08	54%
Net Cash Flow	0,26	0,84	1,29	55%
EPS net	0,22	0,59	0,45	-24%
Gross dividend	0,07	0,17	0,21	21%
Number of shares ( at year end )	12.319.200	12.935.160	14.088.338	8,9%

(1) before depreciation of goodwill

(2) Net Group Result plus depreciation of intangible assets, tangible assets and goodwill

(3) Capital & Reserves inclusive of Mandatory Convertible Bonds

**The statutory auditors have confirmed that their audit, which has been fully completed, has not revealed any significant adjustments that would need to be made to the financial information included in the press release.**



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<u>Balance sheet</u> ( in EUR m )	<b>1999</b>	<b>1998</b>		<b>1999</b>	<b>1998</b>
<b>Fixed assets</b>	<b><u>192.7</u></b>	<b><u>63.7</u></b>	<b>Capital &amp; Reserves ( extended def. )</b>	<b><u>65.1</u></b>	<b><u>54.9</u></b>
Intangible assets	0,6	0,5	Equity	45,3	27,5
Goodwill	173,7	52,5	Mandatory Convertible Bonds	19,8	27,4
Tangible assets	15,7	5,9			
Financial assets	2,7	4,8	Minority interests	12,3	9,1
			Provisions	7,9	0,6
			LT Financial debts	135,5	13,6
<b>Current assets</b>	<b><u>147.0</u></b>	<b><u>64.2</u></b>	<b>Current Li abilities</b>	<b><u>118.9</u></b>	<b><u>49.7</u></b>
Cash and investments	20,7	13,4	ST Financial debts	65,4	12,2
Trade debtors	79,9	43,7	Trade creditors	16,7	8,8
Other current assets	46,4	7,1	Advance payments	3,2	0,3
			Other liabilities	33,6	28,4
<b>Total assets</b>	<b>339,7</b>	<b>127,9</b>	<b>Total liabilities</b>	<b>339,7</b>	<b>127,9</b>