

PROSPECTUS DATED JULY 13, 2007



## €75,000,000 2% SENIOR UNSECURED CONVERTIBLE NOTES DUE 2012

This prospectus (the “**Prospectus**”) has been prepared in connection with the €75,000,000 2% senior unsecured convertible notes, due July 16, 2012 (the “**Notes**”) of Real Software NV (“**Real Software**” or the “**Issuer**”) which will be convertible, by reference to their principal amount, as from August 26, 2007 into ordinary shares of the Issuer (“**Shares**”) at an initial conversion price of €0.556 per Share, subject to adjustment in certain circumstances as described herein (the “**Conversion Price**”). For a description of the rights attaching to the Shares, see “*Rights attaching to the Shares*”.

Interest on the Notes is payable semi-annually in arrear, on July 16, and January 16, in each year.

Unless previously redeemed, converted or purchased and cancelled, the Notes will be redeemed at 118.44% of their principal amount on July 16, 2012, equating to a yield to maturity of 5.25% (in the form of interest payment and a redemption premium) but in certain other circumstances may be redeemed in whole at the option of the Issuer at their accreted principal amount together with accrued interest as further described in the Terms and Conditions of the Notes. The Notes can also be redeemed at the option of the Noteholders at their accreted principal amount together with accrued interest following a change of control or a lack of shareholder approval, as further described in the Terms and Conditions of the Notes.

Application has been made to admit the Notes to the official list of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange’s Euro MTF Market (the “**Euro MTF Market**”). The existing Shares of the Issuer are listed on the Eurolist by Euronext Brussels. The Issuer has agreed to use all reasonable endeavors to ensure that the Shares issued upon conversion of any Notes will be admitted to listing on the Eurolist by Euronext Brussels and will be listed, quoted or dealt in on any other stock exchange or securities market on which the Shares may then be listed, quoted or dealt in. The closing price of the Shares on the Eurolist by Euronext Brussels on July 10, 2007 was €0.46 per Share.

**Investing in the Notes involves risks. See “Risk Factors” for a discussion of certain factors that should be carefully considered in connection with an investment in the Notes.**

Neither the Notes, nor the Shares that may be issued upon conversion of the Notes, have been or will be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S (“**Regulation S**”) under the Securities Act and, unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available, may not be offered, sold or delivered within the United States. See “*Plan of Distribution*”.

The Notes will be issued in bearer form in the denomination of €50,000 and integral multiples of €50,000.

The Notes will initially be represented by a temporary global note (the “**Temporary Global Note**”) which will be deposited with, or with a depository for, the X/N system (the “**X/N System**”) operated by the National Bank of Belgium (the “**NBB**”) or any successor thereto as operator of the X/N System on or about July 16, 2007 (the “**Issue Date**”) and will be credited (against payment therefor) to the account of Euroclear Bank SA/NV (“**Euroclear**”) (for credit to the accounts designated by the relevant subscribers of the Notes with Euroclear and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”)) held with the X/N System. The Temporary Global Note will be exchangeable for interests in a permanent global note (the “**Global Note**”), without interest coupons, not earlier than on August 25, 2007, upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Ownership of interests in the Temporary Global Note and the Global Note will be limited to persons who maintain accounts with Euroclear and Clearstream, Luxembourg and certain other persons as more particularly described in “*Summary of Provisions Relating to the Notes while in Global Form*”. Interests in the Global Note will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg and their respective accountholders. The Global Note is exchangeable for Notes in definitive form in limited circumstances only. See “*Summary of Provisions Relating to the Notes while in Global Form*”.

This Prospectus is a “prospectus” for the purposes of the rules and regulations of the Luxembourg Stock Exchange. This document does not constitute a prospectus for the purposes of Article 3 of Directive 2003/71/EC.

*Sole Bookrunner*

**KBC Financial Products UK Ltd.**

## CONTENTS

1. IMPORTANT INFORMATION .....	1
2. DOCUMENTS INCORPORATED BY REFERENCE .....	3
3. SUMMARY .....	4
4. PRINCIPAL TERMS AND CONDITIONS OF THE NOTES .....	8
5. SELECTED HISTORICAL FINANCIAL DATA OF THE ISSUER .....	12
6. RISK FACTORS .....	13
7. USE OF PROCEEDS .....	17
8. SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM .....	18
9. TERMS AND CONDITIONS OF THE NOTES .....	19
10. DIVIDENDS AND DIVIDEND POLICY .....	57
11. CAPITALIZATION AND PRINCIPAL INDEBTEDNESS .....	58
12. SHARE CAPITAL, DESCRIPTION OF THE SHARES AND TRADING DATA .....	58
13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	67
14. BUSINESS DESCRIPTION .....	70
15. BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES .....	75
16. PRINCIPAL SHAREHOLDERS .....	91
17. RELATED PARTY TRANSACTIONS .....	93
18. ASSOCIATED COMPANIES AND SHAREHOLDINGS .....	95
19. TAXATION IN BELGIUM .....	96
20. PLAN OF DISTRIBUTION .....	98
21. GENERAL INFORMATION .....	100
22. DEFINITIONS AND GLOSSARY .....	104
INDEX TO FINANCIAL STATEMENTS .....	F-1

## 1. IMPORTANT INFORMATION

**Potential investors in the Notes are expressly advised that an investment in the Notes entails risks and that they should therefore carefully review the entire contents of this Prospectus.**

Investors are authorized to use this Prospectus solely for the purpose of considering the purchase of the Notes.

The Issuer has confirmed to KBC Financial Products UK Ltd., (the “**Sole Bookrunner**”) that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material. Such information is true and accurate in all material respects and is not misleading in any material respect. Any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect. This Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect and all proper enquiries have been made to ascertain and to verify the foregoing. The Issuer accepts responsibility for the information contained in this Prospectus.

The Issuer has not authorized the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer and, if given or made, any such representation or information should not be relied upon as having been authorized by the Issuer or the Sole Bookrunner.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

### **Stabilization**

In connection with the issue of the Notes, KBC Financial Products UK Ltd. (the “**Stabilizing Manager**”) (or any person acting for the Stabilizing Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilizing Manager (or any agent of the Stabilizing Manager) to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilizing shall be in compliance with all applicable laws, regulations and rules.

### **Selling Restrictions**

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes. The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Sole Bookrunner to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see “*Plan of Distribution*”.

### **Forward-looking Statements**

The Issuer has made forward-looking statements in this Prospectus that are based on the Issuer’s beliefs and assumptions and on information currently available to it.

Such forward-looking statements involve substantial risks, assumptions and uncertainties relating to various matters, including, without limitation, the outlook, financing position, business, revenue, expenses, profitability, synergies, cost savings, strategy, acquisitions, disposals, services, products and operating and capital requirements of the Issuer, its prospective growth opportunities, potential operating performance improvements and expected trends in the industries in which it operates.

The Issuer and its representatives may also make forward-looking statements written in materials delivered to holders of its securities, in press releases or in oral statements to security analysts, investors and others. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “project”, “seek”, “continue”, “should”, “could” or the negative of these terms or similar expressions. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the Issuer’s control and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or

implied by the forward-looking statements. Investors should not place undue reliance on any forward-looking statements.

The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations or by any appropriate regulatory authority.

### **Market and Industry Data**

Market data and other statistical information used throughout this Prospectus are based on, inter alia, independent industry publications, government publications, reports by market research firms or other published independent sources. Although the Issuer believes these sources are reliable, it has not verified the information independently and cannot guarantee its accuracy and completeness. Some market data and statistical information is based on the Issuer's good faith estimates, which in turn are derived from its review of internal assessments.

### **Definitions and Glossary**

References to "**Real Software**" or the "**Issuer**" refer to Real Software NV and references to the "**Group**" refer to the Issuer and its subsidiaries and affiliated companies (see "*Associated Companies and Shareholdings*"). For definitions and glossary please see "*Definitions and Glossary*".

### **Available Information**

Documents disclosed in accordance with applicable laws are available at the registered office of the Issuer and/or at the Issuer's websites ([www.realsoftware.be](http://www.realsoftware.be) and [www.realsoftwaregroup.com](http://www.realsoftwaregroup.com)). A copy of this Prospectus, the constitutive documents of the Issuer; the documents incorporated by reference in this Prospectus, the Trust Deed and the Agency Agreement are available free of charge as long as the Notes are outstanding at the specified offices of the Trustee, the Principal Paying and Conversion Agent and the Luxembourg Paying and Conversion Agent.

### **Corporate Information**

Real Software NV is a Belgian corporation ("*naamloze vennootschap*" / "*societe anonyme*") having its registered office at Prins Boudewijnlaan 26, B-2550 Kontich, Antwerp, Belgium and registered with the register of legal persons ("*rechtspersonenregister*" / "*registre des personnel morales*") under enterprise number ("*ondernemingsnummer*" / "*numéro d'entreprise*") RPR/RPM 0429.037.235 (Antwerp).

It was incorporated on June 6, 1986, as published in the Belgian Official Gazette ("*Belgisch Staatsblad*" / "*Moniteur belge*") of July 2, 1986 under number 860702-346. The Issuer must file its (restated and amended) articles of association and all other deeds that are to be published in the Belgian Official Gazette ("*Belgisch Staatsblad*" / "*Moniteur belge*") with the clerk's office of the Commercial Court of Antwerp, where they are available to the public. A copy of the Issuer's articles of association is also available on the Issuer's website.

The Issuer's ordinary shares have been listed on the Eurolist by Euronext Brussels since 1997.

### **Other**

Certain financial and statistical information in this Prospectus has been subject to rounding adjustments. Accordingly, the sum of certain data may not conform to the total.

## **2. DOCUMENTS INCORPORATED BY REFERENCE**

The annual report 2005 and the annual report 2006 of Real Software are incorporated by reference in this Prospectus. Copies of those annual reports are available, free of charge at the registered office of the Issuer and on the Issuer's websites and at the registered offices of the Principal Paying and Conversion Agent and the Luxembourg Paying and Conversion Agent.

### 3. SUMMARY

*The following summary does not purport to be complete and is qualified in its entirety by the remainder of this Prospectus. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Prospectus have the same meanings in this summary. This summary highlights selected information about this Prospectus and the Issuer. It does not contain all the information that may be important to you and is qualified in its entirety by the more detailed information included elsewhere in this Prospectus.*

*The following summary should be read in conjunction with the entire Prospectus, including the Issuer’s consolidated financial statements and the notes to such statements before making any investment decision.*

#### **The Company**

Real Software (“**Real**” or “the **Company**” or “the **Issuer**”) is an IT solutions provider serving large and mid-sized companies in Benelux and France for over two decades. At the end of 2006, Real employed approximately 860 professionals serving numerous blue chip customers drawn from various sectors including general industrials, healthcare, financial services and government. The Company has five offices located in Belgium, Luxembourg and France. Real’s customers include *DHL*, *Johnson & Johnson*, *BASF*, *Credit Suisse*, *RATP (Régie Autonome des Transports Parisiens)* and the Public Hospitals of Paris (APHP). Real is one of the leading independent IT solutions providers in Belgium and Luxembourg and has a strong presence in the French Public Market.

Real offers its customers technical software skills and IT service solutions in the following areas:

- *Software development and management services* — Real provides for the development and the post delivery support and management of software solutions for its clients. The Company has advanced skills in Java, Microsoft, Oracle, iSeries and Progress technologies combined with high standard project management and quality assurance expertise. These services are provided through three primary offers: Professional Services, Technology Innovation and Managed Application Services.

Real developed the distribution and monitoring application of parcels for the Belgian Post, taking care of all activities throughout the entire project cycle from “*concept, plan and design*” through to building, deployment and testing.

- *Enterprise Software Solutions* — Real provides enterprise solutions that address clients’ full software needs including business intelligence, information management, customer relationship management and eBusiness. The Company partners with the leading vendors in each sector to offer the most appropriate solution to its customers.
- Real implemented a Business Intelligence system and linked reporting tools for *DHL*. This system allows DHL to see the impact of changes to its operations and to forecast their financial impacts on a near real-time basis.
- *Vertical Software Applications* — Real offers niche vertical, packaged software products including enterprise resource planning (wholesale, textile, private banking), enterprise asset management, financial accounting systems and clinical trial management.
- Real is implementing its textile ERP within the Beaulieu International Group (“BIG”), the number two global woven textiles manufacturer. The system is planned for 21 production sites thus standardizing BIG’s European information system. The Company has already successfully implemented the standard solution in certain production sites of the group.

The Issuer’s portfolio of solutions and services is focused on improving its client’s business processes through bringing technical assistance and solutions supporting business model innovation. In most client cases, the Issuer combines skills and products from the three offering areas to deliver a more comprehensive, best of breed, solution.

The Issuer’s business activity as solutions provider is broad in that it can support the entire software lifecycle — from the planning/design phase to the build/deploy phase and the run/maintenance phase (“plan-build-run”). Supporting the entire software lifecycle provides the Issuer the opportunity to meet the customer at various points in the evolution of the client’s software lifecycle. The Issuer can intervene at any point during any of the phases of the software lifecycle.

Many of the Issuer's solutions are underpinned by a software services and development quality program, called "CMMI@REAL", which was launched in 2005. The CMMI@REAL program is based upon the Capability Maturity Model Integrated (CMMI) a quality program developed by the Software Engineering Institute (SEI), a US-based research and development center. The Issuer achieved certification for CMMI Level II in September 2006, and is currently progressing towards Level III certification. The achievement of this CMMI certification is a key-differentiator in the market and grants the Issuer a particular advantage against its competitors.

In 2004, The Gores Group, a leading US-based private equity group with specialized turnaround and industry expertise, became the majority shareholder of the Issuer and put in place a new management team and board of directors. Since then, the Issuer initiated a comprehensive restructuring program, introducing strong corporate governance, restructuring the balance sheet and divesting non core businesses.

Today, Real is profitable, focused on its core business, and well positioned as a platform for growth in the European market. Real closed the 2006 fiscal year with revenues of €91.5 million and EBITDA before non-recurring of €4.5 million. The Company generated 50% of its revenue in Belgium, 34% in France and 16% in Luxembourg.

Real Software NV, the Belgium legal operating entity (i.e. the Issuer), has a tax loss carry forward of €275.8 million.

## **The Market**

European IT services companies are typically either:

- well-established large (with a 2006 revenue greater than US\$1 billion) IT services players; or
- smaller (2006 revenue less than US\$1 billion) and more versatile companies that compete on local expertise and have a clear focus on small and medium sized customers.

Both market segments have very different growth profiles. Large IT services companies in Europe have seen median revenue growth of 18% in 2005/2006. However, smaller European companies have seen median growth of 29% in the same period<sup>1</sup>.

Overall, IT services in the Benelux and France represent an addressable market value of more than €40 billion. The market is expected to grow at an annual compound rate above 5% until 2010<sup>2</sup>. Demand for IT services is expected to continue to grow, because (among other factors) IT budgets gradually continue to shift away from internal spending to external software and IT services vendors<sup>3</sup>.

France is a €24 billion IT services market and accounts for 5% of worldwide available IT services spending in 2007<sup>4</sup>. Market growth is largely driven by vertical industries and the comparatively large public sector acts as a stable demand generator.

The Benelux has a total market size of €16 billion. This market is traditionally driven by demand for local expertise and language preferences, which gives the Issuer a distinct competitive advantage over certain competitors.

## **Strategy**

Real's strategy is to leverage its current capabilities and corporate infrastructure to rapidly and effectively consolidate the highly fragmented IT market in the Benelux and France. Real has spent the last three years rationalizing its offerings and strengthening its operating base aimed at achieving sustainable strong growth and increased profitability. In order to execute this strategy Real is investing in direct sales and marketing to drive organic growth, as well as raising funds to support acquisitive growth.

<sup>1</sup> Source: Capital IQ. Based on an analysis of public IT services companies in Western Europe with a market capitalization above US\$50 million.

<sup>2</sup> Source: Gartner IT Services Worldwide Forecast, September 200

<sup>3</sup> Source: Deutsche Bank: "IT Software & Services", January 5, 2007

<sup>4</sup> Source: Gartner Dataquest, ID G00145906

The following represent the key strategies of the Issuer:

#### *Growth by Acquisition*

Real's acquisition strategy is based upon two types of acquisitions:

1. Geographic coverage and scale — Targets that add scale and provide better geographic coverage within Benelux and France.
2. Competence and skills — Targets that increase or expand skills and competences across Real's solution offerings.

Real has a range of suitable targets and has put in place a meaningful acquisition strategy aimed at achieving significant growth and a market leading position in its geographic territory, as well as profit expansion. The management team has extensive experience with the rapid integration and realization of synergies in acquisitions.

#### *Broaden Product Offerings*

The Company has identified technical areas such as Open Source or Mobile Applications that would complement Real's existing offerings and which would complete Real's suite of software competence.

#### *Increase Higher Margin Offerings*

In 2006 over half of the Company's revenue was generated through providing Professional Services (part of Software Development & Management Services) to clients. This is relatively lower margin business but serves as an important entry point into new accounts, to which higher margin services around Technology Innovation, Managed Application Services and Enterprise Software Solutions can subsequently be sold. The Company also seeks to increase its overall blended margin through a broader product portfolio.

#### *Develop Longer Term Relationships*

On average Real has over 10 years of working relationship with many of its top 10 customers and even longer with its French Public Sector accounts (over 15 years). The Issuer aims to forge new long term relationships through a successful refocus on new client wins. A critical involvement in the client's key applications and in the out-tasking of complex activities (through Managed Application Services) is also expected to contribute to the development of such relations.

#### *Broaden Geographic Reach*

The Company has identified the Netherlands and France (beyond the Paris region) as the immediate geographic target areas for growth. Geographic growth is likely to come from acquisition rather than organic expansion.

### **Competitive Strengths**

#### *Solutions Address the Entire Software Lifecycle*

Real covers the entire software lifecycle — **“plan, build & run”**. It is this wide product offering that makes the Company very competitive in its target market. Real's extensive range of solutions provides it with numerous entry points for selling to its customers.

#### *Strong Position in Local Markets*

Real has a strong brand and commercial relationships with the leading regional enterprise accounts in the Benelux and through its “Aerial” brand with the Public sector in France. In addition, Real also serves many blue chip multi-national companies in the region, particularly where IT purchasing decisions are decentralized.

#### *Diversified Client Base*

In 2006, the Company invoiced over 700 customers and the top 20 customers accounted for approximately 40% of 2006 revenue. Real's diversified customer base helps the Company to benefit from growth arising from multiple vertical sectors. Real's strong Public business also provides for further additional stability.

*Strong Technical Competence*

Real has a strong position as a major independent IT group in terms of its scale and breadth of technical competence. This allows clients to fulfill many of their needs with a single vendor. Additionally, Real combines the offering of enterprise and vertical solutions with a broad range of technical skills making it the preferred partner for integration and evolution of the client's IT software infrastructure.

*Experienced Management Team and Reference Shareholder*

The current management team has streamlined the Company and returned it to profitability within a relatively short period of time. In addition, both the management team and The Gores Group, its reference shareholder, have a proven track record in successfully executing and integrating acquisitions.

#### 4. PRINCIPAL TERMS AND CONDITIONS OF THE NOTES

The following summary of the principal terms and conditions of the Notes does not purport to be complete and is qualified in its entirety by the remainder of this Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this summary.

<b>Issuer</b> .....	Real Software NV
<b>Issue</b> .....	€75,000,000 2% convertible Notes due July 16, 2012 convertible into Shares.
<b>Shares</b> .....	Ordinary shares in the share capital of the Issuer.
<b>Issue Date</b> .....	July 16, 2007
<b>Issue Price</b> .....	100%
<b>The Offering</b> .....	The Notes are being offered outside the United States to non-U.S. persons in accordance with Regulation S under the United States Securities Act of 1933.
<b>Form and Denomination</b> .....	<p>The Notes will be in bearer form in the denomination of €50,000 each (or integral multiples of €50,000) and, if in global form, without coupons attached. The Notes will initially be represented by the Temporary Global Note which will be deposited with, or with a depository for, the X/N System on or about the Issue Date and will be credited (against payment therefor) to the account of Euroclear (for credit to the accounts designated by the relevant subscribers of the Notes with Euroclear or Clearstream, Luxembourg) held with the X/N System.</p> <p>The Temporary Global Note will be exchangeable for interests in the Global Note, without coupons attached, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. Save as provided by applicable law, the Global Note will be exchangeable in the limited circumstances specified therein for definitive Notes with Coupons attached. The Belgian Act of December 15, 2005 on the suppression of bearer securities will prevent the delivery of definitive Notes after December 31, 2007.</p> <p>Ownership of interests in the Temporary Global Note and the Global Note will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg and certain other persons as more particularly described under "Summary of Provisions Relating to the Notes while in Global Form". Interests in the Global Note will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by Euroclear and Clearstream, Luxembourg and their respective accountholders.</p>
<b>Status</b> .....	The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
<b>Negative Pledge</b> .....	The Notes will contain a negative pledge provision as further described in "Terms and Conditions of the Notes — Negative Pledge".
<b>Interest</b> .....	The Notes bear interest from the Issue Date at 2% per annum payable semi-annually in arrear on July 16 and January 16 in each year, commencing on January 16, 2008.
<b>Final Maturity</b> .....	Unless previously redeemed, converted, or purchased and cancelled, the Notes will be redeemed on July 16, 2012 at 118.44% of their principal

amount (consisting of the principal amount increased with a redemption premium at maturity of 18.44%).

**Redemption at the Option of the Issuer** .....

The Notes may be redeemed at the option of the Issuer at their accreted principal amount as at the date fixed for redemption together with accrued interest to such date:

- (1) at any time on or after January 16, 2010 provided that the Current Market Price of the Shares on each of not less than 20 Exchange Business Days in any period of 30 consecutive Exchange Business Days ending not earlier than the seventh day prior to the date on which the relevant notice of redemption is given by the Issuer to the Noteholders shall have exceeded 150% of the Conversion Price in effect on such Exchange Business Day; or
- (2) at any time if prior to the date on which the relevant notice of redemption is given by the Issuer less than 10% in principal amount of the Notes originally issued (including any further notes consolidated and forming a single series with the Notes at such date) remain outstanding.

Provided that redemption by the Issuer pursuant to paragraph (1) above shall be effected by delivery of Shares in accordance with Condition 7(i) (*Redemption by Share Settlement*).

**Redemption at the Option of the Noteholders Following a Change of Control** .....

Subject to Condition 32 (*Shareholders Approval of Certain Conditions*), the Issuer shall, at the option of the holder of any Note redeem such Note on the Change of Control Put Date at its accreted principal amount together with interest accrued to such date, as further described in "*Terms and Conditions of the Notes — Redemption at the option of Noteholders Following a Change of Control*".

The "**Change of Control Put Date**" means the date that is the fourteenth day after the last day of the Change of Control Put Option Period.

**Redemption at the Option of Noteholders Following a Lack of Shareholder Approval** .....

When the Shareholders approval referred to in Condition 32 (*Shareholders approval of certain Conditions*) has been given and the court filing referred to in that Condition has been duly made, the Issuer shall promptly give notice thereof to the Trustee. If the Trustee has not received such notice by October 16, 2007, the Trustee shall give notice hereof to the Noteholders and the Issuer shall, at the option of the holder of any Note, redeem such Note on the Lack of Approval Put Date at a price equal to 103% of its principal amount together with interest accrued to such date.

The "**Lack of Approval Put Date**" means the date that is the fourteenth day after the last day of the Lack of Approval Put Option Period.

**Tax Redemption** .....

None.

**Taxation** .....

All payments in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the appropriate withholding or deduction shall be made and the Issuer shall not pay

any additional amounts to Noteholders or Couponholders to compensate for such withholding or deduction.

<b>Non-Payment</b> .....	The Notes will contain a default provision covering failure to pay principal or interest in respect of the Notes as further described in <i>“Terms and Conditions of the Notes — Events of Default”</i> .
<b>Cross Default</b> .....	The Notes will contain a cross default provision as further described in <i>“Terms and Conditions of the Notes — Events of Default”</i> .
<b>Other Events of Default</b> .....	For a description of certain other events that will permit acceleration of the Notes see <i>“Terms and Conditions of the Notes — Events of Default”</i> . If any event that will permit acceleration occurs then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall declare the Notes to be immediately due and payable at their accreted principal amount together with accrued interest.
<b>Conversion Right</b> .....	The holder of each Note has the right to convert such Note into fully-paid Shares at any time during the Conversion Period. The number of Shares to be delivered upon conversion shall be determined by dividing the principal amount of the Note by the Conversion Price in effect on the Conversion Date.
<b>Conversion Period</b> .....	The period beginning on and including in respect of any Note August 26, 2007 and ending on and including the earlier to occur of: <ol style="list-style-type: none"><li>(1) the close of business (in the place where the Conversion Notice in respect of the Note is deposited) on July 6, 2012, being the date which is ten days before the Maturity Date; and</li><li>(2) if the Notes shall have been called for redemption before the Maturity Date, the close of business (in the place where the Conversion Notice in respect of the Note is deposited) on the day which is ten days before the date fixed for redemption.</li></ol>
<b>Conversion Price</b> .....	€0.556, subject to various adjustment mechanisms in accordance with the Terms and Conditions.
<b>Conversion Price Reset</b> .....	As further specified in the Terms and Conditions, the conversion price may be reset downwards on July 16, 2008 to the average of the Current Market Price of the Shares during the period of 15 consecutive Exchange Business Days prior to the Reset Date, but will never be lower than the Reference Price (which will be set at 90% of the Conversion Price in effect immediately prior to the Reset Date).
<b>Trustee’s Discretion to Convert Before Redemption</b> .....	Following the end of the Conversion Period, if prior to the date fixed for redemption of the Notes, the Trustee is satisfied that the net proceeds of an immediate sale of the Shares arising from conversion at the Conversion Price applicable at such redemption date of any Unconverted Notes would be likely to exceed by 5% or more the amount of redemption moneys and interest which would otherwise be payable in respect of such Notes, then the Trustee may elect to convert all (but not some only) of such Unconverted Notes as of such redemption date. The Trustee shall arrange for the sale of the Shares issued on such conversion as soon as practicable and for the net proceeds of sale to be distributed rateably to the holders of such Unconverted Notes.
<b>Change of Control</b> .....	A Change of Control Event occurs if an offer in respect of the Shares has become or been declared unconditional in all respects and the Issuer becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Shareholders

has or will become unconditionally vested in the offeror and/or any associates(s) of the offeror, or an event occurs which has a like or similar effect.

If and whenever a Change of Control Event occurs, the Noteholders shall have the right for a period of 60 days to convert their Notes at the relevant adjusted Conversion Price set out in *“Terms and Conditions of the Notes — Change of Control”*.

<b>Dividends</b> .....	The Conversion Price will be adjusted in the event of a Dividend as further described in <i>“Terms and Conditions of the Notes — Dividends”</i> .
<b>Other Anti-Dilution Provisions</b> ..	The Notes will contain other provisions for the adjustment of the Conversion Price in the event of the occurrence of certain dilutive events including, amongst others, bonus issues, consolidation or subdivision of the Shares.
<b>Lock Up</b> .....	Customary lock-up and standstill provisions will apply, pursuant to which the Issuer shall not, subject to certain exceptions relating to stock-options and other issuances in the framework of acquisitions or with the prior written approval of the Sole Bookrunner, issue any new shares or other securities during a 90 day period starting as from July 6, 2007, as further described in <i>“Plan of Distribution — Lock-up”</i>
<b>Governing Law</b> .....	The Notes, the Trust Deed and the Agency Agreement will be governed by English law, except for, the terms with respect to ( <i>inter alia</i> ) the meetings of noteholders and shareholders and Schedule 3 to the Trust Deed which shall both be governed by Belgian law.
<b>Principal Paying and Conversion Agent</b> .....	The Bank of New York, with registered office at One Canada Square, London E14 5AL, United Kingdom
<b>Trustee</b> .....	BNY Corporate Trustee Services Limited, with office at One Canada Square, London E14 5AL, United Kingdom
<b>Listing</b> .....	Application has been made to admit the Notes to the official list of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. The outstanding issued Shares are listed on the Eurolist Euronext Brussels.
<b>Clearing</b> .....	The Notes have been accepted for clearance and settlement by Euroclear and Clearstream, Luxembourg under the following Common Code and ISIN Codes: Common Code: 031130573 ISIN: BE0933123805
<b>Use of Proceeds</b> .....	See Section 7 of this Prospectus

## 5. SELECTED HISTORICAL FINANCIAL DATA OF THE ISSUER

The financial data reported below refers to the consolidated accounts of the Issuer for 2006 which includes comparable 2005 numbers. The accounts have been prepared in conformity with the International Financial Reporting Standards set out in Regulation (EC) n° 1606/2002 (“IFRS”). The details with regard to the auditors responsible for auditing these accounts are further summarized below under “General Information — Independent Auditors”. The financial data should be read in conjunction with the statements referred to in “Index to Financial Statements” and the annual accounts, including the explanations thereof, as well as the other financial data contained in this Prospectus.

	31 December	
	2005	2006
	€ Thousands	
<b>Total revenue</b> . . . . .	103,804	91,448
Other operating income . . . . .	1,132	707
<b>Turnover</b> . . . . .	102,672	90,741
<b>Operating Result (EBIT) before non-recurring items from continuing operations</b> . . . . .	1,250	3,952
<b>Total non-recurring</b> . . . . .	<u>(3,250)</u>	<u>2,693</u>
<b>Operating Result (EBIT)</b> . . . . .	<u>(1,999)</u>	<u>6,645</u>
Share of profit of associates . . . . .	(21)	—
Net Financial result . . . . .	(5,426)	(5,613)
Profit (Loss) before income taxes from continuing operations . . . . .	(7,445)	1,032
Income taxes . . . . .	(681)	(1,023)
Profit (Loss) for the year from continuing operations . . . . .	(8,126)	9
Discontinued operations		
Profit (loss) for the year from discontinued operations . . . . .	<u>(1,992)</u>	<u>2,302</u>
<b>Profit (Loss) for the year</b> . . . . .	<u>(10,118)</u>	<u>2,311</u>
EBITDA before non-recurring . . . . .	2,178	4,546
EBITDA . . . . .	(1,071)	7,239
Capital Expenditure . . . . .	830	880
<b>Balance sheet items:</b>		
Non current assets . . . . .	35,284	32,603
Current assets . . . . .	42,026	41,062
Non current assets as held for sale . . . . .	<u>0</u>	<u>5,740</u>
<b>Total Assets</b> . . . . .	<u>77,310</u>	<u>79,405</u>
Shareholder Equity . . . . .	(52,949)	10,461
Non current liabilities . . . . .	60,697	17,715
Current liabilities . . . . .	69,562	47,871
Non-current liabilities as held for sale . . . . .	<u>0</u>	<u>3,358</u>
<b>Shareholder Equity &amp; Liabilities</b> . . . . .	<u>77,310</u>	<u>79,405</u>

## 6. RISK FACTORS

*Investing in the Notes involves a high degree of risk. You should consider carefully the following risk factors, together with the other information contained in this Prospectus, before you make any investment decision concerning the Notes. If any of the risks set out below were to occur, the Issuer's business, future prospects, financial condition and/or results of operation could be negatively affected and this may have an effect on the trading price or value of the Notes and the Shares.*

*The Issuer believes that the factors set out below represent the principal risks inherent in investing in the Notes. All of the factors are contingencies which may or may not occur. The Issuer is not in a position to express a view on the likelihood of any such contingency occurring. One or more of the risks described below could affect the Issuer simultaneously. Additional risks or uncertainties not presently known to it or that it currently may consider immaterial or that may not specifically relate to the Issuer or the Issuer's business may also have a negative effect on its business, future prospects, financial condition and results of operations and thus affect the trading price or value of the Notes and the Shares.*

### A. Risks Relating to the ICT Services Industry and the Business of the Issuer

#### **Fluctuations in the market environment can adversely affect demand and competitive pressure might lead to further margin pressure**

The markets in which the Issuer is active are subject to fluctuations of demand. In case of an economic downturn, margins may come under pressure. In addition, these markets are characterized by low entry barriers. It cannot be ruled out that intensified future competition could lead to falling margins. The economic developments and competition may differ per region/country and per market segment in which the Issuer is active. The Issuer's ability to compete successfully depends on a number of factors, both within and outside of the Issuer's or the Group's control. These factors include the following:

- success in designing and developing new or enhanced products / services;
- ability to address the needs of the Issuer's or the Group's customers;
- pricing, quality, performance, reliability,
- features, ease of use, and diversity of the products of the Issuer and the Group
- pricing and quality of the services portfolio of the Issuer and the Group
- ability to attract and retain high quality industry and ICT experts
- quality of the customer services of the Issuer and the Group
- brand recognition and image of the Issuer and the Group in the market, and
- product or technology introductions by the Issuer's and the Group's competitors

The Issuer's inability to compete successfully in each of the segments they are active in may affect margins and profitability.

#### **The Issuer's business will be negatively affected if they are not able to anticipate and keep pace with rapid changes in technology or if growth in the use of technology in business is not as rapid as in the past**

Success will depend partly on the Issuer's ability to develop and implement information, communication and technology services and solutions that anticipate and keep pace with continuing and rapid changes in technology and industry standards. The Issuer may not be successful in anticipating or responding to these developments on a timely basis, and the Issuer's and the Group's offerings may not be successful in the marketplace. Also, services, solutions and technologies developed by competitors may make the Issuer's service or solution offerings uncompetitive or obsolete. Any one of these circumstances could have a material adverse effect on the Issuer's ability to obtain and successfully complete client engagements. The Issuer's business is also dependent, in part, upon continued growth in the use of technology in business by clients and prospective clients and their customers and suppliers. If the growth in the use of technology slows down due to a challenging economic environment, the business could be adversely affected. In addition, use of new technology for commerce generally requires the understanding and acceptance of a new way of conducting business and exchanging information. Companies that have already invested substantial resources in traditional means of conducting commerce and exchanging information may be particularly reluctant or slow to adopt a new approach that may make some of their existing personnel and infrastructure obsolete, which could reduce demands.

**Companies are increasingly competing on a global basis. Increased competition from global or pan-European players could lead to increased margin pressure and lower profitability**

Large international competitors as well as pan-European players trying to further penetrate local markets may lead to increased competition which in turn could lead to higher pressure on both margins and profitability.

**Failure to retain and hire new skilled employees will affect the success of the Issuer in the future**

Personnel are a critical success factor for the Issuer and an important condition for the growth of the Issuer. The Issuer must continuously recruit highly qualified personnel to fuel growth. In addition, retaining this personnel is of great importance. At present, the demand for persons with the ICT skills of the Issuer's personnel is very high, and the environment in which this personnel is recruited is extremely competitive, which can lead to retention problems. A shortage of personnel will have a restraining influence on the growth of the Issuer.

**Dependency on sales successes**

The operating plan for 2007 relies upon certain sales successes across the Issuer. This includes sales to new as well as to existing customers. Although the sales pipeline continues to increase, it is not a certainty that the projected sales will actually materialize. A portion of expected sales is related to products, which may require additional functionality. Risks exist in completing these tasks and thus could impact the Issuer's ability to sell and/or deliver promised solutions.

**Unexpected costs or delays could make the Issuer's contracts unprofitable**

While the Issuer has several types of contracts, including time-and-material contracts, fixed-price contracts and contracts with features of both of these contract types, there are risks associated with all of these types of contracts when commitments are made in terms of timing, budget, competences or project deliverables. When making proposals for engagements, the Issuer estimates the costs and timing for completing the projects. These estimates reflect the Issuer's best judgment regarding the efficiencies of methodologies and professionals as the Issuer plans to deploy them on projects. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside the Issuer's control, could make these contracts less profitable or unprofitable, which would have an adverse effect on the profit margin. In the past the Issuer has experienced such cost overruns as a result of incorrect estimates.

**The Issuer's contracts can be terminated by its clients with short notice**

Clients typically retain the Issuer on a non-exclusive, engagement-by-engagement basis, rather than under exclusive long-term contracts. While the Issuer's accounting systems identify the duration of engagements, these systems do not track whether contracts can be terminated upon short notice and without penalty. However, the Issuer estimates that the majority of its contracts can be terminated by clients with short notice and without significant penalty. Service Level Agreements (service and maintenance) are entered into on a year-to-year term basis and termination shall only take place at the date of the anniversary of the contract and is subject to a 90 days notice period. Termination of contracts on short notice could adversely affect the operating results of the Issuer.

**Profitability will suffer if the Issuer is not able to maintain its pricing and utilization rates and to control its costs**

Profitability is largely a function of the rates the Issuer is able to charge for services and the utilization rate, or chargeability, of professionals. Accordingly, if the Issuer is not able to maintain the pricing for services or an appropriate utilization rate for professionals without corresponding cost reductions, it will not be able to sustain the profit margin and profitability will suffer.

The rates the Issuer is able to charge for its services are affected by a number of factors, including but not limited to:

- Client's perception of the Issuer's ability to add value through the Issuer's and the Group's services
- Competition
- Introduction of new services or products by the Issuer or competitors
- Pricing policies of competitors

- General economic conditions

The Issuer's utilization rates are also affected by a number of factors, including but not limited to:

- Seasonal trends, primarily as a result of holiday and summer vacations
- Ability to transition employees from completed projects to new engagements
- Ability to forecast demand for services and thereby maintain an appropriate headcount in the appropriate areas of the workforce
- Ability to manage attrition
- Effectiveness of sales force

Profitability is also a function of the Issuer's ability to control costs and improve efficiency. Current and future cost reduction initiatives may not be sufficient to maintain the Issuer's margins if a challenging economic environment were to continue for several quarters. Further, as the Issuer increases the number of the Issuer and the Group's professionals and execute its strategy for growth, it may not be able to manage a significantly larger and more diverse workforce, control its costs or improve efficiency.

**Undetected errors or defects in software could adversely affect the Issuer's performance, reduce the demand for its products and services and increase service and maintenance costs**

In-house developed applications could contain errors or defects that the Issuer has not been able to detect that could adversely affect performance and reduce demand for the Issuer's products. Any defects or errors in new versions or enhancements of the Issuer's products could result in the loss of orders or a delay in the receipt of orders and could result in reduced revenues, delays in market acceptance, diversion of development resources, product liability claims or increased service and warranty costs, any of which may have a material adverse effect on the business, results of operations and financial condition. Any claim brought against the Issuer could be expensive to defend and require the expenditure of significant resources, regardless of the result. Moreover, the overall costs for maintenance, monitoring and engineering in case of serious and irresolvable defects in any in-house developed application, may not be fully covered by the annually fixed and paid service fees for service and maintenance or the Issuer's relevant insurances.

**Others could claim that the Issuer infringes on their intellectual property**

Although the Issuer believes that its products do not infringe upon the intellectual property rights of others, and the Issuer has all the rights necessary to utilize the intellectual property employed in its business, the Issuer is subject to the risk of claims alleging infringement of third-party intellectual property rights, including in respect of intellectual property that has been developed by third parties and acquired in business or asset purchase transactions. These claims could require the Issuer to spend significant sums in litigation costs, pay damages, expend significant management resources, experience shipment delays, enter into royalty or licensing agreements on unfavorable terms, discontinue the use of challenged trade names or technology, or develop non-infringing intellectual property. Liability insurance does not protect it against the risk that its own or licensed third-party technology infringes the intellectual property of others. Therefore, any such claims could have a material adverse effect on the Issuer business, operating results and financial condition.

**Litigations**

The Group is exposed to contingent liabilities amounting to €839,000 representing various pending litigation and potential legal claims.

**B. Risks Relating to the Notes**

**Structural subordination to creditors of the Issuer's subsidiaries and other secured creditors of the Issuer**

Generally, claims of creditors of the Issuer's subsidiaries, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the Issuer's subsidiaries, will have priority in a distribution on a winding up of the assets and earnings of such subsidiaries over the claims of the Issuer's creditors and the Notes will be effectively subordinated to all of the existing and future indebtedness and other liabilities of the Issuer's subsidiaries. In addition, the Notes will be effectively subordinated to all of the Issuer's other secured indebtedness, to the extent of the value of the collateral securing such indebtedness. For more information concerning the ranking of the Notes, see Condition 4 of the Terms and Conditions of the Notes.

**There is no prior market for the Notes and the Issuer cannot be certain that an active trading market will develop**

Prior to the issue of the Notes, there has been no public market for the Notes. Application has been made to admit the Notes to the official list of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. The Issuer's cannot be certain that an active trading market for the Notes will develop or be sustained or that the market price of the Notes will not decline. The price at which the Notes will trade will depend upon a number of factors, many of which are beyond the Issuer's control and are of the same nature as mentioned in the risk factor below headed "*Volatility of the market for the Notes and the Shares*".

**Volatility of the market for the Notes and the Shares**

The market price of the Shares has been subject to volatility in the past. Fluctuations in the market price of the Shares may affect the market price of the Notes. The market price of the Notes and the Shares could be subject to wide fluctuations in response to numerous factors, many of which are beyond the control of the Issuer. These factors include, among other things, actual or anticipated variations in operating results of the Issuer, changes in financial estimates by securities analysts, market conditions in the ICT services industry, the general state of the securities markets, governmental legislation or regulation, currency and exchange rate fluctuations, as well as general economic and market conditions, such as recessions.

**Holders of Shares may suffer dilution**

Holders of Shares of the Issuer may suffer dilution as a result of the exercise of employee stock options, the issue of Shares upon the conversion of the Notes or the issuance of Shares or equity-linked securities in the future.

**The Notes may be redeemed prematurely by the Issuer in certain circumstances**

The Notes may be redeemed at the option of the Issuer at their principal amount as at the date fixed for redemption together with accrued interest to such date in certain circumstances as further specified in Condition 7 of the Terms and Conditions of the Notes (*See Terms and Conditions of the Notes*). The Notes can also be redeemed at the option of the Noteholders following a change of control or a lack of shareholder approval as further described in the Terms and Conditions of the Notes.

**Transfer of the Notes will be restricted, which may adversely affect the value of the Bonds**

The Notes have not been registered under the U.S. Securities Act or any other securities laws. You may not offer the Notes to purchasers in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Regulation S under the U.S. Securities Act. It is the obligation of any investor to ensure that any offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

## 7. USE OF PROCEEDS

The gross proceeds from the sale of the Notes will amount to €75,000,000. The Issuer estimates that the net proceeds from the sale of the Notes, after deduction of the estimated transaction fees of approximately €3,375,000, will be approximately €71,625,000.

Part of the net proceeds will be used to repay bank debt, outstanding interest relating to the €75 million debt converted to equity and consulting fees related to the turnaround of the Issuer (see table below).

Net proceeds from sale of notes .....	€71,625,000
Repayment of bank debt .....	- €9,127,000
Repayment of outstanding payables (interests and fees) .....	- €13,289,000
Net proceeds available for growth.....	€49,209,000

After repayment of the bank debt and outstanding payables, €49,209,000 of the net proceeds will be available to fund growth of the Issuer.

## 8. SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited with, or with a depository for, the X/N System on or about July 16, 2007 and will be credited (against payment therefor) to the account of Euroclear (for credit to the accounts designated by the relevant subscribers of the Notes with Euroclear or Clearstream, Luxembourg) held with the X/N System.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Global Note not earlier than on August 25, 2007, upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Save as provided by applicable law, the Global Note will be exchangeable in whole but not in part only, for Notes in definitive form if either of the following events (each, an “Exchange Event”) occurs:

- the NBB, as operator of the X/N system, Euroclear Bank SA/NV (“Euroclear”) or Clearstream Banking, S.A., Luxembourg (“Clearstream, Luxembourg”) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- any of the circumstances described in Condition 10 (*Events of Default*) occurs, and

*provided that* the delivery of definitive Notes may at the relevant time be carried out without infringement of any applicable law, and in particular the Act of December 14, 2005 on the suppression of bearer securities which will prevent the delivery of definitive Notes after December 31, 2007.

Beneficial interests in the Temporary Global Note and the Global Note will be shown on, and transfers thereof will be effected only through, records maintained in a book-entry form by the X/N System, Euroclear and/or Clearstream, Luxembourg.

The NBB settlement system maintains securities accounts in the name of authorized participants only. Noteholders therefore will normally not hold their Notes directly at NBB, but will hold them on a securities account with a financial institution which is a participant in the system, or which holds them through another financial institution that is itself a participant. The Belgian royal decree No. 62 of November 10, 1967 and the Belgian Act of January 2, 1991 regulate this system, and in particular contain provisions aiming at protecting the Bondholders in the event of the insolvency of a financial institution through which Notes are held in the system. The Notes are then to be returned to the respective Noteholders, are not part of the insolvent financial institution’s assets, and are not available to the creditors of that financial institution.

The Temporary Global Note provides that during the period between the Issue Date and the 41st day after the Issue Date, no holder of an interest in the Temporary Global Note shall be entitled to request the transfer of its interest in the Temporary Global Note to a security account held with a financial institution, including the X/N System, that is not a participant in Euroclear and/or Clearstream, Luxembourg.

Most credit institutions established in Belgium are participants in the NBB system. Euroclear and Clearstream, Luxembourg are also authorized participants. Investors can thus hold their Notes on securities accounts in Euroclear and Clearstream, Luxembourg in the same way as they would for any other types of securities.

More information on the NBB settlement system is available at [www.nbbsss.be](http://www.nbbsss.be).

The clearing and settlement systems of NBB, Euroclear and Clearstream, Luxembourg function under the responsibility of their respective operators. The Issuer, the Trustee and the Principal Paying and Conversion Agent shall have no responsibility in this respect.

The Temporary Global Note and the Global Note will contain provisions that modify the Terms and Conditions as they apply to the Temporary Global Note and the Global Note.

## 9. TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes substantially as they will appear in the notarial deed constituting the Notes and the Trust Deed. For ease of reference these terms and conditions are divided into sections dealing with: the definitions used in these terms and conditions (Conditions 1-2); the debt security (Conditions 3-11); the equity option (Conditions 11-15); adjustments to the conversion price (Conditions 16-31); covenants relating to the equity option (Conditions 32-38); and miscellaneous provisions (Conditions 39-47). This paragraph, and any other paragraphs appearing in italics in these terms and conditions, does not form part of these terms and conditions.*

### INTRODUCTION AND DEFINITIONS

#### 1. Introduction

- (a) *The Notes:* The expression the “**Notes**” refers to the €75,000,000 2% Convertible Notes of Real Software NV (the “**Issuer**”) due July 16, 2012.
- (b) *Trust Deed:* The Notes are subject to, and have the benefit of, a trust deed dated July 16, 2007 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Corporate Trustee Services Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed or any successor thereto).
- (c) *Agency Agreement:* The Notes are also the subject of an agency agreement dated July 16, 2007 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, The Bank of New York as principal paying and conversion agent (the “**Principal Paying and Conversion Agent**”, which expression includes any successor principal paying and conversion agent appointed from time to time in connection with the Notes or any successor thereto), KBC Bank NV as domiciliary agent, (the “**Domiciliary Agent**”) the paying and conversion agents named therein (together with the Principal Paying and Conversion Agent, the “**Paying and Conversion Agents**”, which expression includes any successor or additional paying and conversion agents appointed from time to time in connection with the Notes) and the Trustee.
- (d) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the Specified Offices of each of the Paying and Conversion Agents, the initial Specified Offices of which are set out below.

#### 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:
  - “**Accreted Principal Amount**” has the meaning given in Conditions 7(h) (*Accreted Principal Amount*)
  - “**Aggregate Consideration**” has the meaning given in Condition 29 (*Aggregate Consideration and Consideration per Share*);
  - “**Bonus Issue**” means any issue of Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve) other than a Dividend in Shares;
  - “**Change of Control Event**” has the meaning given in Condition 16(a) (*Change of Control — Change of Control Event*);
  - “**Change of Control Event Notice**” has the meaning given in Condition 16(d) (*Change of Control — Adjustment to the Conversion Price*);

**“Change of Control Put Date”** has the meaning given in Condition 7(c) (*Redemption at the option of Noteholders Following a Change of Control*);

**“Change of Control Put Option Notice”** has the meaning given in Condition 7(c) (*Redemption at the option of Noteholders Following a Change of Control*);

**“Change of Control Put Option Period”** has the meaning given in Condition 7(c) (*Redemption at the option of Noteholders Following a Change of Control*);

**“Change of Control Put Option Receipt”** has the meaning given in Condition 7(c) (*Redemption at the option of Noteholders Following a Change of Control*);

**“Code”** has the meaning given to it in Condition 43 (*Meetings of Noteholders and Shareholders; Modification and Waiver*);

**“Consideration per Share”** has the meaning given in Condition 29 (*Aggregate Consideration and Consideration per Share*);

**“Conversion Date”** has the meaning given in Condition 12(d) (*Procedure for Conversion — Conversion Date*);

**“Conversion Expenses”** has the meaning given in Condition 12(b) (*Procedure for Conversion — Conversion Expenses*);

**“Conversion Notice”** means a notice of conversion in the form (for the time being current) obtainable from the Specified Office of any Paying and Conversion Agent;

**“Conversion Period”** has the meaning given in Condition 11(b) (*Conversion — Conversion Period*);

**“Conversion Price”** has the meaning given in Condition 11(d) (*Conversion — Conversion Price*);

**“Conversion Right”** means, in respect of any Note, the right of the holder (or, in the circumstances described in Condition 14 (*Trustee’s Discretion to Convert Before Redemption*), the Trustee) to convert the Note into Shares in accordance with these Conditions;

**“Current Market Price”** means, in respect of a Share at a particular date, the arithmetic average of the Officially Published closing prices per Share for the five consecutive Exchange Business Days ending on the Exchange Business Day immediately preceding such date, except where specifically mentioned otherwise in these Conditions, (in each case, the **“Relevant Period”**), *provided that*:

- (i) if at any time during the Relevant Period the Shares shall have been quoted ex-Dividend (or ex-any other entitlement) and during some other part of that period the Shares shall have been quoted cum-Dividend (or cum-any other entitlement), then:
  - (A) if the Shares to be issued do not rank for the Dividend (or entitlement) in question, the quotations on the dates on which the Share shall have been quoted cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that Dividend (or entitlement) per Share (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the Kingdom of Belgium who is not entitled to an exemption from that deduction); or
  - (B) if the Shares to be issued do rank for the Dividend (or entitlement) in question, the quotations on the dates on which the Shares shall have been quoted ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to have been the amount thereof increased by such similar amount; and
- (ii) if on each of the five Exchange Business Days during the Relevant Period the Shares have been quoted cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or entitlement) which has been declared or announced but the Shares to be issued do not rank for that Dividend (or entitlement) the quotations on

each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that Dividend (or entitlement) per Share (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the Kingdom of Belgium who is not entitled to an exemption from that deduction); and

- (iii) if such closing prices are not available on each of the five Exchange Business Days during the Relevant Period, then the arithmetic average of such closing prices which are available in the Relevant Period shall be used (subject to a minimum of two such closing prices); and
- (iv) if only one or no such closing prices is available in the Relevant Period, then the Current Market Price shall be Determined by an Expert;

**“Day Count Fraction”** means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls;

**“Determined by an Expert”** means determined in good faith by an Expert acting as an expert;

**“Dividend”** means any dividend or distribution of any kind on the class of capital represented by the Shares, whether in cash or otherwise and however described:

- (i) including, without limitation, a Dividend in Shares;
- (ii) excluding a Bonus Issue; and
- (iii) including, without limitation, any other issue of shares or other securities credited as fully or partly paid by way of capitalization of profits or reserves;

**“Dividend in Shares”** means any issue of Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves which is to be, or may at the election of the Shareholders be, issued instead of the whole or any part of a cash Dividend which the Shareholders concerned would or could otherwise have received;

**“Effective Date”** has:

- (i) for the purposes of Condition 17 (*Dividends*), the meaning given in Condition 17(b) (*Dividends — Effective Date*);
- (ii) for the purposes of Condition 18 (*Bonus Issues*), the meaning given in Condition 18(b) (*Bonus Issues — Effective Date*);
- (iii) for the purposes of Condition 19 (*Consolidation or Subdivision of Shares*), the meaning given in Condition 19(b) (*Consolidation or Subdivision of Shares — Effective Date*);
- (iv) for the purposes of Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*), the meaning given in Condition 20(b) (*Shares, Rights and Share-Related Securities issued to Shareholders — Effective Date*);
- (v) for the purposes of Condition 21 (*Issue of other Securities to Shareholders*), the meaning given in Condition 21(b) (*Issue of other Securities to Shareholders — Effective Date*);
- (vi) for the purposes of Condition 22 (*Issue of Shares at Below Current Market Price*), the meaning given in Condition 22(b) (*Issue of Shares at Below Current Market Price — Effective Date*);
- (vii) for the purposes of Condition 23 (*Share-Related Securities Issued Other than to Shareholders*), the meaning given in Condition 23(b) (*Share-Related Securities Issued Other than to Shareholders — Effective Date*);
- (viii) for the purposes of Condition 24 (*Amendment of Terms of Rights or Share-Related Securities*), the meaning given in Condition 24(b) (*Amendment of Terms of Rights or Share-Related Securities — Effective Date*);

- (ix) for the purposes of Condition 25 (*Spin-off or Demerger*), the meaning given in Condition 25(b) (*Spin-off or Demerger — Effective Date*);

**“Euroclear Belgium”** means *“Caisse Interprofessionnelle de Dépôts et de Virements de Titres/ Interprofessionele effecten deposito en girokas”*;

**“Exchange Business Day”** means any day that is a trading day on the Relevant Exchange other than a day on which the Relevant Exchange is scheduled to close prior to its regular weekday closing time;

**“Expert”** means, in relation to any matter to be Determined by an Expert, an independent investment bank and/or a firm of accountants which is, in either case, of international repute, appointed to act as an expert for the purposes of such matter in accordance with these Conditions and the Trust Deed;

**“Extraordinary Resolution”** has the meaning given in the Trust Deed;

**“Fair Market Value”** means,

- (a) with respect to a cash Dividend or other cash amount the amount of such cash; and
- (b) with respect to any other property on any date, the fair market value of that property as Determined by an Expert,

*provided, however, that in any such case:*

- (i) where options, warrants or other rights are publicly traded in a market which is Determined by an Expert to have adequate liquidity, the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on such date (or, if later, the first such trading day such options, warrants or other rights are publicly traded) or such shorter period as such options, warrants or other rights are publicly traded;
- (ii) any cash Dividend declared or paid in a currency other than Euro shall be converted into Euro at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid the cash Dividend in Euro; and
- (iii) any other amount or value in a currency other than Euro shall be converted into Euro at the Screen Rate on that date;

**“Financial Year”** means, in respect of the Issuer, any accounting period in respect of which audited financial statements of the Issuer have been published or are expected to be published;

**“Guarantee”** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness;

**“Indebtedness”** means any indebtedness of any Person for money borrowed or raised;

**“Independent Broker”** means either (a) the Domiciliary Agent or (b) an independent investment bank or broker of international repute;

**“Interest Payment Date”** means January 16 and July 16 in each year, the first Interest Payment Date being January 16, 2008;

**“Issue Date”** means July 16, 2007;

**“Lack of Approval Put Option Period”** has the meaning given in Condition 7(d) (*Redemption at the Option of Noteholders Following a Lack of Shareholders Approval*);

**“Material Subsidiary”** means a Subsidiary whose (a) turnover or (b) total assets (in each case determined on a non-consolidated basis and determined on a basis consistent with the preparation of the audited consolidated accounts of the Issuer) represent (or, in case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate are equal to) no less than 10% of the consolidated turnover or total assets (as the case may be) of the Issuer, all as calculated respectively by reference to the then latest audited accounts of such Subsidiary and the then latest audited consolidated accounts of the Issuer, provided that:

- (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the calculation above shall, until consolidated accounts of the Issuer for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest audited accounts, adjusted as deemed appropriate by the auditors of the relevant Subsidiary from time to time (the “**Auditors**”);
- (ii) in the case of a Subsidiary in respect of which no audited accounts are prepared, its turnover and total assets shall be determined on the basis of pro forma accounts of the relevant Subsidiary prepared for this purpose by the Auditors on the basis of accounting principles consistent with those adopted by the Issuer; and

*provided further that*, in the case of a transfer by a Material Subsidiary of (i) the whole or substantially the whole of the business, undertaking or assets, or (ii) total assets representing not less than 10% of the consolidated total assets of the Issuer each calculated in accordance with the above, to a Subsidiary, such Subsidiary will be deemed to be a Material Subsidiary from the date on which such transfer becomes effective. A Subsidiary shall only be deemed to be a Material Subsidiary by virtue of this further proviso until the end of the next financial period for which the Issuer has prepared audited consolidated financial statements following the relevant transfer becoming effective, following which the test of whether such Subsidiary is a Material Subsidiary shall be on the basis of the then audited consolidated financial statements.

“**Maturity Date**” means July 16, 2012;

“**Offer**” means an offer to acquire Shares, whether expressed as a legal offer, an invitation to treat, a scheme with regard to such acquisition or in any other way, in circumstances where such offer is available to all Shareholders or all Shareholders other than any Shareholder who is the person making such offer (or any associate of such person) or who is excluded from the offer by reason of being connected with one or more specific jurisdictions;

“**Officially Published**” means in relation to the Shares, published by or at the direction of the Relevant Exchange;

“**Payment Business Day**” means, in respect of any place of presentation of any Note or Coupon, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to in Condition 8 (*Payments*), on which the TARGET System is open;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality;

“**Rate of Interest**” means 2 % per annum;

“**Record Date**” means, in respect of any entitlement to receive any dividend or other distribution declared, paid or made, or any rights granted, the record date or other due date for the establishment of the relevant entitlement;

“**Regular Period**” means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date;

“**Regulation S**” means Regulation S under the United States Securities Act of 1933;

“**Relevant Date**” means, in relation to any payment in respect of a Note, whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Principal Paying and Conversion Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**“Relevant Exchange”** means Euronext Brussels or, if the Shares are no longer traded on Euronext Brussels the principal stock exchange or securities market on which the Shares are then traded;

**“Relevant Indebtedness”** means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

**“Reserved Matter”** means any proposal:

- (i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or, except where such alteration is in the opinion of the Trustee bound to result in an increase in the amount of such payment, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (ii) to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under the Conditions or the Trust Deed);
- (iii) to change the currency in which amounts due in respect of the Notes are payable;
- (iv) to change any aspect of the Conversion Right (excluding for the avoidance of doubt, any change arising as a result of the operation of the Conditions);
- (v) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or
- (vi) to amend this definition of Reserved Matter;

**“Rights”** means, in respect of any securities or assets, any options, warrants or other rights (other than Share-Related Securities) which by their terms of issue carry a right to subscribe for, purchase or otherwise acquire such securities or assets;

**“Screen Rate”** means, on any day, and, in respect of the translation or conversion of one currency into another currency, the rate of exchange between such currencies appearing on Reuters page ECB 37 on that day, or, if that page is not available or that rate of exchange does not appear on that page on that day, the rate of exchange between such currencies appearing on such other screen or information service, or determined in such other manner, as the Issuer shall determine, with the prior written approval of the Trustee.

**“Security Interest”** means any mortgage, charge, pledge, lien or other security interest (or any irrevocable mandate or irrevocable promise to create the same if it gives the attorney or beneficiary thereof the ability to create security over the property of the Person giving such mandate or promise without further action being required by that Person), including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**“Share”** means an ordinary share without nominal value in the share capital of the Issuer;

**“Shareholder”** means the holder for the time being of a Share;

**“Share-Related Securities”** means any securities (excluding the Notes but including any further Notes issued pursuant to Condition 45 (*Further Issues*)) which by their terms of issue:

- (i) carry a right to subscribe for, purchase or otherwise acquire Shares or any securities which by their terms of issue might be redesignated as Shares; or
- (ii) might be redesignated as Shares or be redesignated so as to carry a right to subscribe for, purchase or otherwise acquire Shares;

**“Specified Office”** has the meaning given in the Agency Agreement;

**“Subsidiary”** means, in relation to any Person (the **“first Person”**) at any particular time, any other Person (the **“second Person”**):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**TARGET System**” means the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system; and

“**Unconverted Notes**” has the meaning given in Condition 14(b) (*Trustee’s Discretion to Convert Before Redemption — Unconverted Notes*).

(b) *Construction of certain references:* In these Conditions, unless otherwise specified or unless the context otherwise requires:

- (i) a reference to a business day in any place shall be construed as a reference to a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in that place;
- (ii) the expression the “Notes” shall be construed so as to include any further notes issued pursuant to Condition 45 (*Further Issues*) and forming a single series with the Notes;
- (iii) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed;
- (iv) references to any issue or offer or grant to Shareholders “as a class” or “by way of rights” shall be construed so as to include an issue or offer or grant to all or substantially all Shareholders other than Shareholders to whom, by reason of the laws of any jurisdiction or requirements of any recognized regulatory body or any stock exchange in any jurisdiction or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;
- (v) “equity share capital” means, in relation to a company, its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution;
- (vi) references to the “issue” of Shares shall include the transfer and/or delivery of Shares by the Issuer or any of its Subsidiaries, whether newly issued and allotted or previously existing;
- (vii) Shares held by the Issuer or any of its Subsidiaries shall not be considered as or treated as “in issue”;
- (viii) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions; and
- (ix) the principles of interpretation set out in the Trust Deed shall apply to these Conditions.

## THE DEBT SECURITY

### 3. Form, Denomination and Title

The Notes are serially numbered and in bearer form in the denomination of €50,000 and multiples of €50,000 with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

*The Notes will initially be represented by a Temporary Global Note, without Coupons, which will be deposited with, or with a depositary for, the National Bank of Belgium (the “NBB”) or any successor thereto*

as operator of the X/N clearing system (the “X/N System”) on or about the Issue Date and will be credited (against payment therefor) to the account of Euroclear (for credit to the accounts designated by the relevant subscribers with Euroclear or Clearstream, Luxembourg) held with the X/N System. The Temporary Global Note will be exchangeable for interests in a permanent global note (the “Global Note”), without Coupons, not earlier than 40 days after July 16, 2007, upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. Save as provided by applicable law, the Global Note will be exchangeable in the limited circumstances specified therein for definitive Notes with Coupons attached. The Belgian Act of December 15, 2005 on the suppression of bearer securities will prevent the delivery of definitive Notes after January 1, 2008.

The Temporary Global Note and the Global Note will contain provisions which modify these Terms and Conditions as they apply to the Temporary Global Note and the Global Note.

Beneficial interests in the Temporary Global Note and the Global Note will be shown on, and transfers thereof will be effected only through, records maintained in a book-entry form by the X/N System, Euroclear and/or Clearstream, Luxembourg.

The NBB settlement system maintains securities accounts in the name of authorized participants only. Noteholders therefore will normally not hold their Notes directly at NBB, but will hold them on a securities account with a financial institution which is a participant in the system, or which holds them through another financial institution which is itself a participant. The Belgian royal decree No. 62 of November 10, 1967 and the Belgian Act of January 2, 1991 regulate this system, and in particular contain provisions aiming at protecting the Noteholders in the event of the insolvency of a financial institution through which Notes are held in the system. The Notes are then to be returned to the respective Noteholders, are not part of the insolvent financial institution’s assets, and are not available to the creditors of that financial institution.

Ownership of beneficial interests in the Temporary Global Note and the Global Note will be limited to persons who maintain accounts with Euroclear and/or Clearstream, Luxembourg and/or (after August 25, 2007 only) the X/N System or persons who hold interests through such persons.

The Temporary Global Note provides that during the period between the Issue Date and the 41st day after the Issue Date no holder of an interest in the Temporary Global Note shall be entitled to request the transfer of its interest in the Temporary Global Note to a security account held with a financial institution, including the X/N System, that is not a participant in Euroclear and/or Clearstream, Luxembourg.

Most credit institutions established in Belgium are participants in the NBB system. Euroclear and Clearstream, Luxembourg are also authorized participants. Investors can thus hold their Notes in securities accounts in Euroclear and Clearstream, Luxembourg in the same way as they would for any other types of securities.

More information on the NBB settlement system is available at <http://www.nbbss.be/>.

The clearing and settlement systems of NBB, Euroclear and Clearstream, Luxembourg function under the responsibility of their respective operators. The Issuer, the Trustee and the Agents shall have no responsibility in this respect.

#### **4. Status**

The Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law of general application.

#### **5. Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

## 6. Interest

- (a) *Interest commencement and rate:* The Notes bear interest from the Issue Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*).
- (b) *Cessation of interest accrual:* Each Note will cease to bear interest from the due date for redemption, subject as provided in Condition 6(c) (*Interest — Principal Amount not paid on due date*), Condition 15(d) (*Rights Arising on Conversion — Interest*) and Condition 15(e) (*Rights Arising on Conversion — Interest upon conversion due to early redemption*).
- (c) *Principal Amount not paid on due date:* If, upon due presentation of any Note on the due date for redemption, payment of principal is improperly withheld or refused, such Note will continue to bear interest at the Rate of Interest (both before and after judgment) until the Relevant Date.
- (d) *Coupon amount:* The amount of interest payable on each Interest Payment Date shall be EUR500 in respect of each Note of EUR50,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

## 7. Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, converted, or purchased and cancelled, the Notes will be redeemed at their Accreted Principal Amount on the Maturity Date, subject as provided in Condition 8 (*Payments*).
- (b) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their Accreted Principal Amount together with accrued interest to the date fixed for redemption:
  - (i) at any time on or after 30 months after July 16, 2007, *provided that* the Current Market Price of the Shares (adjusted as provided below) on each of not less than 20 Exchange Business Days in any period of 30 consecutive Exchange Business Days ending not earlier than the seventh day prior to the date on which the relevant notice of redemption is given by the Issuer to the Noteholders shall have exceeded 150% of the Conversion Price in effect on such Exchange Business Day; or
  - (ii) at any time if prior to the date on which the relevant notice of redemption is given by the Issuer less than 10% in principal amount of the Notes originally issued (including any further notes consolidated and forming a single series with the Notes at such date) remain outstanding,

Provided that any redemption pursuant to Condition 7(b)(i) shall be effected solely through the delivery of shares in accordance with Condition 7(i).

In order to exercise such option the Issuer shall give not less than 45 nor more than 60 days' notice to the Trustee and the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the date for redemption specified in such notice). Such notice shall specify (i) the date when the relevant redemption will take place and (ii) the last day on which Conversion Rights may be exercised by a Noteholder, which must be at least a month from the date of such notice.

For the purpose of Condition 7(b)(i):

- (i) the provisos to the definition of Current Market Price shall not apply; and
- (ii) if on any Exchange Business Day during the 30 Exchange Business Day period the Shares have been quoted cum-Dividend (or cum any other entitlement), then the Current Market Price on the dates on which the Shares have been quoted cum-Dividend (or cum any other entitlement) shall be reduced by an amount equal to the Fair Market Value of that Dividend (or entitlement) per Share (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom).

- (c) *Redemption at the option of Noteholders Following a Change of Control:* Subject to Condition 32 (*Shareholders Approval of Certain Conditions*), the Issuer shall, at the option of the holder of any Note redeem such Note on the Change of Control Put Date at a price equal to their Accreted Principal Amount together with interest accrued to such date. In order to exercise the option contained in this Condition 7(c), the holder of a Note must, during the Put Option Period, deposit with any Paying and Conversion Agent such Note together with all unmatured Coupons relating thereto and a duly completed put option notice (a “**Change of Control Put Option Notice**”) in the form obtainable from any Paying and Conversion Agent. The Paying and Conversion Agent with which a Note is so deposited shall deliver a duly completed receipt for such Note (a “**Change of Control Put Option Receipt**”) to the depositing Noteholder. No Note, once deposited with a duly completed Change of Control Put Option Notice in accordance with this Condition 7(c), may be withdrawn; provided, however, that if, prior to the Change of Control Put Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Change of Control Put Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying and Conversion Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Change of Control Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Change of Control Put Option Receipt. For so long as any outstanding Note is held by a Paying and Conversion Agent in accordance with this Condition 7(c), the depositor of such Note and not such Paying and Conversion Agent shall be deemed to be the holder of such Note for all purposes.

“**Change of Control Put Date**” means the date which is the fourteenth day after the last day of the Change of Control Put Option Period.

“**Change of Control Put Option Period**” means the period of 60 days starting on the day after the date on which the Issuer gives a Change of Control Event Notice in accordance with Condition 16(d) (*Change of Control — Adjustment to the Conversion Price*).

- (d) *Redemption at the option of Noteholders Following a Lack of Shareholders Approval:* If for whatever reason the Shareholders approval referred to in Condition 32 (*Shareholders approval of certain Conditions*) has not been given by October 16, 2007, or such Shareholders approval has been given but the court filing referred to in that Condition has not been duly made within ten days thereof, the Issuer shall promptly give notice thereof to the Trustee and the Noteholders and shall, at the option of the holder of any Note, redeem such Note on the Lack of Approval Put Date at a price equal to 103% of its principal amount together with interest accrued to such date. In order to exercise the option contained in this Condition 7(d), the holder of a Note must, during the Lack of Approval Put Option Period, deposit with any Paying and Conversion Agent such Note together with all unmatured Coupons relating thereto and a duly completed put option notice (the “**Lack of Approval Put Option Notice**”). The Paying and Conversion Agent with which a Note is so deposited shall deliver a duly completed put option receipt (the “**Lack of Approval Put Option Receipt**”) to the depositing Noteholder. No Note, once deposited with a duly completed Lack of Approval Put Option Notice in accordance with this Condition 7(d), may be withdrawn; provided, however, that if, prior to the Lack of Approval Put Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Lack of Approval Put Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying and Conversion Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Lack of Approval Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Lack of Approval Put Option Receipt. For so long as any outstanding Note is held by a Paying and Conversion Agent in accordance with this Condition 7(d), the depositor of such Note and not such Paying and Conversion Agent shall be deemed to be the holder of such Note for all purposes.

“**Lack of Approval Put Date**” means the date which is the fourteenth day after the last day of the Lack of Approval Put Option Period.

“**Lack of Approval Put Option Period**” means the period of 60 days starting on the day after the date on which the Issuer gives the notice referred to in this Condition 7(d).

- (e) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 7(a) (*Redemption and Purchase — Scheduled redemption*) and Condition 7(b) (*Redemption and Purchase — Redemption at the option of the Issuer*).
- (f) *Purchase:* Neither the Issuer nor any of its Subsidiaries may purchase any Notes in the period of 15 days before any date fixed for redemption of the Notes. Subject thereto, the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.
- (g) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries, and all Notes which are converted, and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.
- (h) *Accreted Principal Amount:*
- (i) *Determination of Accreted Principal Amount:* In these Conditions, the “**Accreted Principal Amount**” payable on any date (the “**Determination Date**”) means, in respect of each €50,000 principal amount of Notes:
- a) if the Determination Date is the Maturity Date, €59,220, being 118.44% of such principal amount;
- b) if the Determination Date is an Interest Payment Date set out in the table below, the Accreted Principal Amount set out in the table below in respect of such Interest Payment Date:

<u>Interest Payment Date</u>	<u>Accreted Principal Amount (€)</u>
January 16, 2008	50,815.00
July 16, 2008	51,650.00
January 16, 2009	52,505.00
July 16, 2009	53,385.00
January 16, 2010	54,285.00
July 16, 2010	55,210.00
January 16, 2011	56,160.00
July 16, 2011	57,135.00
January 16, 2012	58,135.00
July 16, 2012	59,220.00

- c) if the Determination Date is any other date falling before the Maturity Date, the amount which shall be calculated in accordance with the following formula, rounded (if necessary) to the nearest cent with half a cent being rounded upwards (which together with accrued interest from the immediately preceding Interest Payment Date or, if none, the Issue Date, and after taking into account any interest paid in respect of such Notes in preceding periods, represents for the holder thereof on the Determination Date a gross yield to maturity identical to that applicable in the case of redemption on the Maturity Date, being 5.25% per annum, (calculated on an annual basis)):

$$\text{Accreted Principal Amount} = \text{Previous Accreted Principal Amount} \times (1 + r)^{d/p} - \text{AI}$$

where:

“**Previous Accreted Principal Amount**” means the Accreted Principal Amount in respect of the Interest Payment Date immediately preceding the Determination Date as set out in the above table (or, if the Determination Date is prior to the first Interest Payment Date, €50,000);

“**r**” means 5.25% expressed as a decimal;

“**d**” means the number of days from and including the immediately preceding Interest Payment Date (or if the Determination Date is on or before the first Interest Payment Date, from and including the Issue Date) to but excluding the Determination Date;

“**p**” means the number of days from and including the immediately preceding Interest Payment Date (or if the Determination Date is on or before the first Interest Payment

Date, from and including the Issue Date) to but excluding the next following Interest Payment Date; and

“**AI**” means accrued interest on the principal amount of the Notes from and including the immediately preceding Interest Payment Date (or if the Determination Date is on or before the first Interest Payment Date, from and including the Issue Date) to but excluding the Determination Date, calculated on the basis of the number of days from and including the immediately preceding Interest Payment Date (or, if the Determination Date is on or before the first Interest Payment Date, from and including the Issue Date) to but excluding the Determination Date divided by the number of days from and including the immediately preceding Interest Payment Date (or if the Determination Date is on or before the first Interest Payment Date, from and including the Issue Date) to but excluding the next following Interest Payment Date.

- (ii) *Accreted Principal Amount not paid before Maturity Date:* If the Accreted Principal Amount payable in respect of any Note upon its redemption pursuant to 7(b) (*Redemption at the option of the Issuer*), 7(c) (*Redemption at the option of Noteholders following a change of control*), 7(d) (*Redemption at the option of Noteholders following a lack of Shareholders Approval*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) is not paid when due, the Accreted Principal Amount due and payable in respect of such Note shall be the Accreted Principal Amount of such Note as described in Condition 7(h)(i) (*Accreted Principal Amount — Determination of Accreted Principal Amount*), except that such Condition shall have effect as though the reference therein to the date fixed for redemption or, as the case may be, the date on which the Note becomes due and payable, had been replaced by a reference to the Relevant Date, and interest shall accrue on the principal amount of such Note to the Relevant Date.
  - (iii) *Accreted Principal Amount not paid on Maturity Date:* If in any case described in Condition 7(h)(ii) (*Accreted Principal Amount — Accreted Principal Amount not paid before Maturity Date*) the Relevant Date falls on or after the Maturity Date or if the Accreted Principal Amount payable in respect of any Note upon its redemption pursuant to Condition 7(a) (*Scheduled Redemption*) is not paid when due, the amount due and payable shall be 118.44% of the principal amount of such Note together with interest calculated by applying the rate of 5.25% per annum to the principal amount of such Note from and including the Maturity Date to but excluding the Relevant Date multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (i) *Redemption by Share Settlement:*
    - (i) *Share Settlement Option:* Subject to the Shares being of a class of share admitted to trading on Euronext Brussels at the due date for redemption of the Notes, the Issuer must, in the circumstances referred to in Condition 7(b) (i) (*Redemption and Purchase — Redemption at the option of the Issuer*) (but not otherwise), and provided that no event or circumstance constituting a Knock-Out Event (as defined below) has occurred in relation to the Issuer prior to the date of the notice of redemption pursuant to Condition 7 (b) (*Redemption at the option of the Issuer*), effect redemption with Shares.

The Issuer shall effect redemption by:

- a) issuing and allotting to the relevant Noteholder (or as the relevant Noteholder may direct in the Share Settlement Notice) such number of Shares as is determined by dividing the Accreted Principal Amount of a Note by the Conversion Price prevailing on the date (the “**Valuation Date**”) falling three Exchange Business Days prior to the due date for redemption of the Notes;
- b) issuing and allotting to the relevant Noteholder (or as the relevant Noteholder may direct in the Share Settlement Notice) such number of Shares as is determined by dividing the Cash Settlement Amount by the Current Market Price of a Share on the Valuation Date provided that to the extent that a whole number of Shares can not be obtained by such calculation any excess will be paid in cash unless the Accreted Principal Amount of the Note does not exceed the Cash Settlement Amount, in

which case, the Cash Settlement Amount shall be deemed to be zero and accordingly no Shares shall be allotted pursuant to this sub-paragraph (ii). The “**Cash Settlement Amount**” is equal to the amount (if any) by which the Accreted Principal Amount of a Note exceeds the product of the Current Market Price of a Share on the Valuation Date and the whole number of Shares deliverable in accordance with sub-paragraph (a) above in respect of such Note; and

c) making payment in cash of any accrued and unpaid interest.

As used in this Condition 7(i)(i) (*Redemption by Share Settlement — Share Settlement Option*):

“**Knock-out Event**” means “**Bankruptcy**”, “**Failure to Pay**”, “**Obligation Acceleration**” and/or “**Restructuring**”, as such terms are defined in the 2003 ISDA Credit Derivatives Definitions (the “**Definitions**”), and for these purposes:

- (1) the second sentence of Section 4.1 of the Definitions shall apply as if references to “**Credit Event**” were references to “**Knock-out Event**”;
- (2) references in the Definitions to the “**Reference Entity**” shall be deemed to be references to the Issuer;
- (3) references in the Definitions to an “**Obligation**” shall be deemed to be references to any obligation of the Issuer, either directly or as provider of a Qualifying Guarantee, that is described by the Borrowed Money Obligation Category (as defined in the Definitions) and having the Not Subordinated Obligation Characteristic, in each case as of the date of the event which constitutes the relevant Knock-out Event (and, for these purposes, where the obligation is a Qualifying Guarantee, Section 2.21(d)(i) of the Definitions shall apply);
- (4) an obligation shall be deemed to have the “**Not Subordinated Obligation Characteristic**” if (a) it is not Subordinated (as defined in the Definitions) to any unsubordinated Borrowed Money obligations (as defined in the Definitions) of the Issuer and (b) if the obligation is a Qualifying Guarantee, the Underlying Obligation is not Subordinated to any unsubordinated Borrowed Money obligation of the Underlying Obligor;
- (5) “**Qualifying Guarantee**” means an arrangement evidenced by a written instrument pursuant to which the Issuer irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the “**Underlying Obligation**”) for which another party is the obligor (the “**Underlying Obligor**”). Qualifying Guarantees shall exclude any arrangement (a) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (b) pursuant to the terms of which the payment obligations of the Issuer can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being transferred together with the delivery, novation, transfer, assignment or sale (as appropriate) of the Underlying Obligation;
- (6) for the purposes of Sections 4.7(a) and 4.7(b) of the Definitions, the term Obligation shall be deemed to include Underlying Obligations for which the Issuer is acting as provider of a Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in Section 4.7(a) of the Definitions shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in Section 4.7(b) shall continue to refer to the Reference Entity;
- (7) in the definition of “**Grace Period**” Sections 1.12(a)(ii) and (iii) of the Definitions shall not apply;
- (8) references in the Definitions to “**the later of the Trade Date**” shall be deemed to be references to the issue date of the Notes;
- (9) references in the Definitions to the “**Payment Requirement**” shall be deemed to be to U.S.\$1,000,000 or its equivalent in the relevant Obligation Currency (as defined in the Definitions) as of the occurrence of the relevant Failure to Pay;

- (10) references in the Definitions to the “**Default Requirement**” shall be deemed to be U.S.\$10,000,000 or its equivalent in the relevant Obligation Currency (as defined in the Definitions) as of the occurrence of the relevant Knock-out Event; and
- (11) notwithstanding anything to the contrary in Section 4.7 of the Definitions, the occurrence of, agreement to or announcement of any of the events described in Section 4.7(a) (i) to (v) of the Definitions shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation. “**Multiple Holder Obligation**” means an Obligation that (i) at the time of the event which constitutes a Restructuring Knock-out Event is held by more than three holders that are not Affiliates (as defined in the Definitions) of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Knock-out Event provided that any Obligation that is a Bond (as defined in the Definitions) shall be deemed to satisfy the requirement in Section 4.9(a) (ii).
- (ii) *Fractions of a Share:* Fractions of a Share will not be delivered on exercise of the right of redemption by share settlement pursuant to this Condition 7(i) and no cash payment will be made in lieu thereof. However, if more than one Note is delivered not later than the Notice Cut-off Date such that the Shares to be issued on redemption of such Notes are to be registered in the same name, the number of Shares which shall be delivered upon redemption thereof shall be calculated on the basis of the aggregate principal amount of such Notes.

Where Shares are to be delivered to the Trustee pursuant to Condition 7 (i) (iv) (c) (*Redemption by Share Settlement — Settlement — Delivery to Trustee*), the number of Shares so to be delivered shall be calculated on the basis of the aggregate principal amount of Notes in respect of which such delivery is to be made.

- (iii) *Redemption Settlement Shares:* Shares to be delivered on exercise of the right of redemption by share settlement pursuant to this Condition 7 (i) are referred to as “**Redemption Settlement Shares**”.
- (iv) *Settlement:* If the Issuer exercises the Share Settlement Option, the following provisions shall apply:
- d) *Share Settlement Notice:* In order to obtain delivery of the relevant Redemption Settlement Shares, the relevant Noteholder must deliver to any Paying and Conversion Agent at least 10 business days in the relevant place of delivery prior to the relevant redemption date (the “**Notice Cut-off Date**”), a duly completed notice substantially in the form set out in the Agency Agreement (the “**Share Settlement Notice**”), a copy of which may be obtained from the Specified Office of any Paying and Conversion Agent, together in each case with the relevant Notes. Each Note must be delivered together with all unmatured Coupons relating to it, failing which the relevant Noteholder will be required to pay the full amount of any such missing unmatured Coupon to the Paying and Conversion Agent. Each amount so paid will be repaid in the manner specified in Condition 8 (*Payments*) against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time after the date for redemption of the relevant Note and before the expiry of ten years after the Relevant Date in respect of the relevant Note (whether or not a Coupon would otherwise have become void pursuant to Condition 40 (*Prescription*)), but not thereafter.
- e) *Settlement period:* Subject as provided herein, the relevant Redemption Settlement Shares will be delivered in accordance with the instructions given in the Share Settlement Notice and the Cash Settlement Amount (if any) and any accrued and unpaid interest will be paid in accordance with Condition 8 (*Payments*), in each case on the due date for redemption of the Notes provided that the Share Settlement Notice and the relevant Notes are delivered not later than the Notice Cut-off Date.

- f) *Delivery to the Independent Broker:* If the Share Settlement Notice and relevant Notes are not delivered to a Paying and Conversion Agent on or before the Notice Cut-off Date, then any accrued and unpaid interest will be paid in accordance with Condition 8 (*Payments*) on the due date for redemption of such Notes and the relevant Redemption Settlement Shares will be delivered to an Independent Broker appointed by the Issuer at its cost on such due date. All of such Redemption Settlement Shares shall be sold by or on behalf of the Independent Broker as soon as practicable, and (subject to any necessary consents being obtained and to the deduction by the Independent Broker of any amount which it determines to be payable in respect of its liability to taxation and the payment of any capital, stamp, issue or registration duties (if any) and any costs incurred by the Independent Broker in connection with the allotment and sale thereof) the net proceeds of sale shall be delivered by the Independent Broker to the Trustee and held by the Trustee and distributed rateably to the holders of the relevant Notes in accordance with Condition 8 (*Payments*). The amount of such net proceeds of sale payable to a holder pursuant to this sub-paragraph (c) (*Delivery to Independent Broker*) plus the Cash Settlement Amount (if any) and any accrued interest paid as aforesaid shall be treated for all purposes as the full amount due from the Issuer in respect of the relevant Notes.
- g) *Trustee's and Independent Broker's liability:* Neither the Independent Broker nor the Trustee shall have any liability in respect of the exercise or non-exercise of any discretion pursuant to sub-paragraph (c) (*Delivery to Independent Broker*) above in respect of any sale of Redemption Settlement Shares whether for the timing of any such sale or the price at which any such Redemption Settlement Shares are sold, or the inability to sell any such Redemption Settlement Shares.
- h) *Notices:* Any Share Settlement Notice shall be irrevocable. Failure properly to complete and deliver a Share Settlement Notice and to deliver the relevant Notes may result in such notice being treated as null and void and the Issuer shall be entitled to effect settlement in accordance with sub-paragraph (c) (*Delivery to Independent Broker*) above. Any determination as to whether such notice has been properly completed and delivered as provided in the Conditions shall be made by the Issuer in its sole and absolute discretion and shall be conclusive and binding on the relevant Noteholders.
- i) *Issue and allotment:* Shares to be delivered pursuant to this Condition 7 (i) shall be deemed to be issued and allotted as of the due date for redemption of the Notes.
- j) *Taxes:* A Noteholder will be liable for and must pay any taxes and capital, stamp, issue and registration duties arising (a) on the relevant delivery of Redemption Settlement Shares or (b) by reference to any disposal or deemed disposal of a Note by a Noteholder in connection with such redemption (other than any taxes in each such case or capital duties or stamp duties payable in Belgium in respect of the allotment and issue of the Redemption Settlement Shares pursuant to this Condition 7 (i) which shall be paid by the Issuer). In the event that, in accordance with sub paragraph (c) (*Delivery to Independent Broker*) above, the Redemption Settlement Shares are being sold by or on behalf of the Independent Broker and the Issuer is obliged by law as contemplated by Condition 9 (*Taxation*) to withhold or deduct amounts in respect of such sales, then the Issuer may instruct the Trustee or the Independent Broker (or the agent of the Independent Broker as the case may be) to pay to the Issuer from the net proceeds of sale referred to in sub-paragraph (iii) above such amount of taxes and capital, stamp, issue and registration duties as the Issuer confirms in writing to the Independent Broker and the Trustee is required for such purpose.

Neither the Trustee nor the Independent Broker (or agent of the Independent Broker as the case may be) shall have any liability in respect of payments made to the Issuer pursuant to an instruction given by the Issuer as set out in this Condition 7 (i) (g).

- k) *Clearing Systems:* The Redemption Settlement Shares will be available for issue in accordance with Condition 13 (*Settlement*).

- 1) *Rights in respect of Redemption Settlement Shares:* Redemption Settlement Shares will be transferred with full title guarantee, will be fully paid, free from any liens, charges, encumbrances, pre-emptive rights or other third-party rights and, subject as provided in sub-paragraphs (j) and (k):
  - (1) such Shares will rank pari passu in all respects with all other Shares in issue on the date for redemption of the Notes; and
  - (2) the holders of such Shares will be treated by the Issuer as Shareholders for all purposes with effect from and including the date for redemption of the Notes.
- m) *Dividends and other distributions:* Redemption Settlement Shares will rank pari passu in respect of dividends and other distributions declared, paid or made, or rights granted, with all other Shares in issue on the date for redemption of the Notes except that the exchanging Noteholder or the Trustee (as the case may be) will not be entitled to receive any dividend or other distribution declared, paid or made on, or rights granted in respect of, the Shares for which the Record Date precedes the date for redemption of the Notes.
- n) *Voting rights:* Redemption Settlement Shares will rank pari passu in respect of voting rights with all other Shares in issue on the date for redemption of the Notes except that the relevant Noteholder or the Trustee (as the case may be) will not be entitled to any voting rights accruing to Shareholders for which the Record Date precedes the date for redemption of the Notes.

## 8. Payments

- (a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying and Conversion Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in a city in which banks have access to the TARGET System.
- (b) *Interest:* Payments of interest shall, subject to Condition 8 (f) (*Payments — Payments other than in respect of matured Coupons*), be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying and Conversion Agent outside the United States in the manner described in Condition 8 (a) (*Payments — Principal*).
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Deduction for unmatured Coupons:* If a Note is presented without all unmatured Coupons relating thereto, a sum equal to the aggregate amount of the missing unmatured Coupons will be deducted from the amount due for payment in respect of such Note; *provided, however, that*, if the gross amount available for payment is less than the amount due for payment in respect of such Note, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount due for payment in respect of such Note. Each sum of principal so deducted shall be paid in the manner provided in Condition 8 (a) (*Payments — Principal*) against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.
- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying and Conversion Agent outside the United States.

## 9. Taxation

All payments in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the appropriate withholding or deduction shall be made and the Issuer shall not pay any additional amounts to Noteholders or Couponholders to compensate for such withholding or deduction.

## 10. Events of Default

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Accreted Principal Amount together with accrued interest without further action or formality:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven days of the due date for payment thereof; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer; or
- (c) *Cross-acceleration of Issuer or Subsidiary:*
  - (i) any Indebtedness of the Issuer (other than Indebtedness in respect of the Notes) or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness of the Issuer or any Material Subsidiary becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of the occurrence of an event of default, howsoever described;
  - (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness; or
  - (iv) any Security Interest granted by the Issuer or any of its Subsidiaries for such Indebtedness or for any Guarantee of any Indebtedness is enforced in favor of the creditors of such Indebtedness or Guarantee,

*provided that* the amount of Indebtedness referred to in sub-paragraph (i) and/or subparagraph (ii) and/or sub-paragraph (iv) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds EUR 8,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of any amount in excess of EUR 8,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, which is final or is enforceable pending appeal, is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer or any Material Subsidiary; or
- (f) *Insolvency, etc.:* (i) the Issuer or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Material Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or any Material Subsidiary is appointed (or application for any such appointment is made

by the Issuer or any Material Subsidiary), (iii) the Issuer or any Material Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any Material Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business otherwise than for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent, provided that in the case of the Issuer such amalgamation, reorganization or restructuring has been carried out on terms previously approved by the Trustee or an Extraordinary Resolution of Noteholders unless it constitutes a Change of Control Event occurring after the Shareholders' approval referred to in Condition 32(a) (*Shareholders Approval of Certain Conditions — Shareholders Approval*); or

- (g) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any Material Subsidiary (otherwise than, in the case of a Material Subsidiary, for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent); or
- (h) *Analogous event:* any event occurs which under the laws of the Kingdom of Belgium or any other applicable law has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or
- (i) *Failure to take action, etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of the Kingdom of Belgium is not taken, fulfilled or done; or
- (j) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed.

## THE EQUITY OPTION

### 11. Conversion

- (a) *Conversion right:* The holder of each Note has the right to convert such Note (in whole, and not in part, subject to Condition 11 (f) below) into fully-paid Shares (free from pre-emptive or other similar rights) at any time during the Conversion Period.
- (b) *Conversion Period:* The “**Conversion Period**” in respect of any Note shall be the period beginning on and including August 26, 2007 and ending on and including the earlier to occur of:
  - (i) the close of business (in the place where the Conversion Notice in respect of the Note is deposited) on July 6, 2012, being the date which is ten days before the Maturity Date; and
  - (ii) if such Note shall have been called for redemption before the Maturity Date, the close of business (in the place where the Conversion Notice in respect of the Note is deposited) on the day which is ten days before the date fixed for redemption thereof,

*provided, however, that:*

- (A) if the Issuer shall default in making payment in full in respect of such Note on the date fixed for redemption thereof, the relevant Conversion Period shall continue up to and including the date upon which the full amount of the moneys payable in respect of such Note has been duly received by the Trustee or the Principal Paying and Conversion Agent and notice of such receipt has been given to the Noteholders in accordance with Condition 46 (*Notices*) or, if earlier, up to and including the date which is seven days before the Maturity Date; and
- (B) in any such case, if the last day of the Conversion Period would otherwise be a day which is not a business day in the place where the Conversion Notice in respect of the Note is deposited, the last day of the Conversion Period shall be the immediately preceding business day in such place.

- (c) *Conversion ratio:* The number of Shares to be issued upon exercise of the Conversion Right attaching to any Note shall be determined by dividing the principal amount of the Note by the Conversion Price in effect on the Conversion Date.
- (d) *Conversion Price:* The Conversion Price in effect on the Issue Date is €0.556. The Conversion Price in effect on any subsequent date shall be the Conversion Price in effect on the Issue Date subject to any subsequent adjustment in accordance with these Conditions and the expression “**Conversion Price**” shall be construed accordingly.
- (e) *No Shares set aside:* Conversion Rights are not exercisable in respect of any specific Shares and no Shares have been or will be charged, placed in custody or otherwise set aside to secure or satisfy the obligations of the Issuer in respect of the Conversion Rights.
- (f) *Fractions of a Share:* Fractions of a Share will not be issued on conversion. However, if more than one Note is to be converted at any one time by the same Noteholder such that the Shares to be issued upon conversion thereof are to be delivered to the same Noteholder or registered in the same name, the number of Shares which shall be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Notes so to be converted. If a fraction of a Share would otherwise fall to be issued upon conversion, the Issuer shall make or procure that there is made, on or before the seventh Payment Business Day after the relevant Conversion Date, a cash payment equal to such fraction of the Current Market Price per Share as at the relevant Conversion Date by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in a city in which banks have access to the TARGET System in accordance with instructions given in the relevant Conversion Notice.
- (g) *Conversion Price Reset:* For the purposes of this Condition 11 (g) (*Conversion — Conversion Price Reset*):

“**Reset Date**” means July 16, 2008;

“**Reference Price**” means 90% of the Conversion Price in effect immediately prior to the Reset Date; and

“**Reset Reference Price**” means, in respect of the Reset Date, the average of the Current Market Prices of the Shares on the Relevant Exchange on each Exchange Business Day in the period of 15 consecutive Exchange Business Days immediately prior to the Reset Date.

If the Reset Reference Price in respect of the Reset Date is less than the Conversion Price, immediately prior to the Reset Date, the Conversion Price shall be adjusted to equal the Reset Reference Price in respect of the Reset Date.

The foregoing provisions of this Condition 11 (g) (*Conversion — Conversion Price Reset*) are subject to the following:

- (i) the Conversion Price shall not be reduced pursuant to this Condition 11 (g) (*Conversion — Conversion Price Reset*) below the Reference Price;
- (ii) such adjustments (if any) shall be made to the operation of this Condition 11 (g) (*Conversion — Conversion Price Reset*) as may be determined by an Expert to take into account any adjustments to the Conversion Price made pursuant to the foregoing provisions of this Condition 11 (g) (*Conversion — Conversion Price Reset*) (including adjustments to the Reference Price to reflect any adjustments made under Conditions 16 to 27 to the Conversion Price which may have occurred prior to the Reset Date);
- (iii) the Conversion Price shall not be reduced below the par value of the Shares unless, under applicable law then in effect but subject to applicable regulatory approval, the Notes could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Shares;
- (iv) for the avoidance of doubt, any adjustments to the Conversion Price made pursuant to this Condition 11 (g) (*Conversion — Conversion Price Reset*) shall only be downward adjustments;
- (v) the Conversion Price shall not be reduced below the level permitted by applicable Belgian laws and regulations from time to time (if any).

Any such adjustment shall become effective as of the Reset Date and shall be notified to the Noteholders in accordance with Condition 46 (*Notices*) within 10 days of the Reset Date.

## 12. Procedure for Conversion

- (a) *Deposit of Note:* To exercise the Conversion Right attaching to any Note, the Noteholder must:
- (i) complete, execute and deposit at the Noteholder's own expense during normal business hours on any business day during the Conversion Period at the Specified Office of any Paying and Conversion Agent a Conversion Notice (in duplicate);
  - (ii) at the same time deposit the relevant Note at the Specified Office of the same Paying and Conversion Agent; and
  - (iii) pay to the Issuer (or to such person as the Issuer may direct) any applicable Conversion Expenses.

A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Issuer.

- (b) *Conversion Expenses:* The Issuer will pay all stamp, issue, registration or other similar taxes and duties (if any) arising in the Kingdom of Belgium on the issue of Shares on conversion of the Notes, their transfer and delivery to or to the order of the converting Noteholder or, as the case may be, the Trustee (subject as provided in Condition 13 (*Settlement*)), any expenses of obtaining a listing for such Shares on the Relevant Exchange and all charges of the Paying and Conversion Agents in connection therewith as provided in the Agency Agreement. Subject thereto, as conditions precedent to conversion, the Noteholder must pay to the Issuer (or to such person as the Issuer may direct) all stamp, issue, registration or other similar taxes and duties (if any) ("**Conversion Expenses**") arising on conversion which may be payable:

- (i) in the country in which the Specified Office of the relevant Paying and Conversion Agent is located (if not the Kingdom of Belgium); and
- (ii) in any other jurisdiction,

as a result of the issue, transfer or delivery of Shares or any other property or cash upon conversion to or to the order of the converting Noteholder.

- (c) *U.S. certification:* Upon exercising the Conversion Right attaching to any Note, the Noteholder shall be required to represent and agree in the Conversion Notice that at the time of execution and deposit of such Conversion Notice it or the person who has the beneficial interest in that Note is not in the United States (within the meaning of Regulation S) and it, or such person, purchased such Note, or the beneficial interest therein, in a transaction made in accordance with Rule 903 or Rule 904 of Regulation S. No Shares will be issued to a Noteholder unless the Noteholder satisfies the foregoing conditions.

- (d) *Conversion Date:* The conversion date in respect of a Note (the "**Conversion Date**") shall be:

- (i) the Brussels business day following the satisfaction of the conditions specified in Condition 12 (a) (*Procedure for Conversion — Deposit of Note*); or
- (ii) in the case of an election by the Trustee pursuant to Condition 14 (*Trustee's Discretion to Convert Before Redemption*):
  - (A) for the purposes of Condition 15 (d) (*Rights Arising on Conversion — Interest*) and Condition 15 (e) (*Rights Arising on Conversion — Interest upon conversion due to early redemption*), the date which would have been the Conversion Date had Conversion Rights been exercised in respect of the relevant Unconverted Notes on the last day of the Conversion Period; and
  - (B) for any other purpose, the relevant redemption date.

- (e) *Specified account:* Upon exercise of Conversion Rights, a Noteholder shall in the relevant Conversion Notice, specify a Euro account with a bank in a city in which banks have access to the TARGET System to which any cash amount payable on or in respect of the exercise of

Conversion Rights by that Noteholder shall be credited and the Issuer shall pay such sum to the relevant Noteholder in accordance with any such directions.

### 13. Settlement

- (a) *Shares in bearer form:* Shares to be issued on conversion of the Notes will be delivered in such form (which is expected to be dematerialized or bearer) and through such settlement system (which is expected to be Euroclear Belgium) as will be customary at the time for the Shares of the Issuer, unless the relevant Noteholder elects to receive the Shares in registered form; it being understood that the Issuer will in any event be prevented from issuing bearer shares after December 31, 2007. Where Shares are to be issued through Euroclear Belgium or another settlement system or financial institution, they will be delivered to the account specified by the relevant Noteholder in the relevant Conversion Notice by not later than 15 Brussels business days following the relevant Conversion Date.
- (b) *Shares in registered form:* Where Shares are to be issued in registered form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the person entitled thereto) to the relevant Noteholder or as it may direct in the relevant Conversion Notice within 28 days following the relevant Conversion Date.

### 14. Trustee's Discretion to Convert Before Redemption

- (a) *Parity exceeds redemption moneys:* Following the end of the Conversion Period, if, prior to the date fixed for redemption of the Notes (including any redemption under Condition 7 (b) (*Redemption and purchase — Redemption at the option of the Issuer*)), the Trustee is satisfied that it has been Determined by an Expert that the net proceeds of an immediate sale of the Shares arising from conversion at the Conversion Price applicable at such redemption date of any Unconverted Notes would be likely to exceed by 5% or more the amount of redemption moneys and interest which would otherwise be payable in respect of such Notes, then the Trustee may elect to convert all (but not some only) of such Unconverted Notes as of such redemption date.
- (b) *Unconverted Notes:* In these Conditions, an “**Unconverted Note**” means a Note in respect of which the Conversion Right has not been exercised by the relevant Noteholder, and which has not been duly presented for redemption by the relevant Noteholder, before the date of any such election by the Trustee described in Condition 14 (a) (*Trustee's Discretion to Convert Before Redemption — Parity exceeds redemption moneys*).
- (c) *Taxes, etc.:* In making the comparison described in Condition 14 (a) (*Trustee's Discretion to Convert Before Redemption — Parity exceeds redemption moneys*), the Trustee may disregard any liability (other than a liability of the Trustee) to taxation or the payment of any capital, stamp, issue or registration duties consequent upon any such conversion, provided that the exercise of the Conversion Right on behalf of the Noteholder under this Condition 14 shall be subject to the payment of any Conversion Expenses by such Noteholder.
- (d) *Trustee's discretion:* Any such election described in Condition 14 (a) (*Trustee's Discretion to Convert Before Redemption — Parity exceeds redemption moneys*) may be made by the Trustee in its absolute discretion (and without any responsibility for any loss occasioned thereby) but must be made by notice in writing to the Issuer within the period commencing on the date nine days before, and ending at the close of business on the Brussels business day before, the relevant redemption date.
- (e) *Sale of Shares:* The Trustee shall arrange for the sale, on behalf of the holders of the Unconverted Notes, of the Shares issued on such conversion as soon as practicable and, subject to:
  - (i) any necessary consents being obtained;
  - (ii) the deduction by the Trustee of any amount which it determines to be payable in respect of its liability to taxation or the payment of any capital, stamp, issue or registration duties (if any);

- (iii) the deduction by the Trustee of any costs incurred by or on behalf of the Trustee and/or the Paying and Conversion Agents (if any) in connection with such conversion and sale; and
- (iv) the deduction by the Trustee (and payment thereof to the Issuer) of an amount equal to the amount of any interest paid by the Issuer on the Unconverted Notes in respect of any Interest Payment Date falling on or after the relevant Conversion Date but before the relevant redemption date,

the net proceeds of sale together with accrued interest (if any) payable under Condition 15 (e) (*Rights Arising on Conversion — Interest upon conversion due to early redemption*) in respect of such Unconverted Notes shall be held by or on behalf of the Trustee and distributed rateably to the holders of such Unconverted Notes against due presentation in accordance with Condition 8 (*Payments*) or in such other manner as the Trustee may determine. The amount of such net proceeds of sale (together with any such accrued interest) shall be treated for all purposes as the full amount due from the Issuer in respect of such Unconverted Notes.

- (f) *Application of Conditions:* These Conditions shall apply to any exercise by the Trustee of the Conversion Right attaching to any Unconverted Note pursuant to this Condition 14 as though the Trustee were the relevant Noteholder, subject as otherwise provided in this Condition 14.
- (g) *Payments:* The provisions of Condition 8 (*Payments*) shall apply to any payment of the net proceeds of sale pursuant to this Condition 14 as though such payment were a payment of principal.
- (h) *Fractions of a Share.* For the purposes of Condition 11 (f) (*Conversion — Fractions of a Share*), the Trustee electing to convert Unconverted Notes shall be deemed to be one Noteholder in respect of all such Unconverted Notes.
- (i) *U.S. certification:* No certification pursuant to Condition 12 (c) (*Procedure for Conversion — U.S. certification*) is required in the case of the Trustee electing to convert Unconverted Notes.
- (j) *Liability:* Neither the Trustee nor the Issuer shall have any liability in respect of the exercise or non-exercise of the Trustee's discretion pursuant to this Condition 14 or the timing of such exercise or, where relevant, in respect of any such sale of any Shares, whether for the timing of any such sale or the price at which any Shares are sold or the inability to sell any Shares or otherwise. In exercising its powers under this Condition 14, the Trustee shall have regard to the economic interests of the holders of the Unconverted Notes as a class and to no other considerations.
- (k) *Conversion Expenses:* No payment pursuant to Condition 12 (b) (*Procedure for Conversion — Conversion Expenses*) has to be made by the Trustee in the case of the Trustee electing to convert Unconverted Notes.

## 15. Rights Arising on Conversion

- (a) *Rights in respect of Shares issued upon conversion:* Shares issued upon exercise of Conversion Rights will be delivered with full title guarantee, will be fully paid, free from any liens, charges, encumbrances, pre-emptive rights or other third-party rights and, subject as provided in Conditions 15 (b) (*Rights Arising on Conversion — Dividends and other distributions*) and (c) (*Rights Arising on Conversion — Voting rights*):
  - (i) such Shares will rank *pari passu* in all respects with all other Shares in issue on the Conversion Date; and
  - (ii) the holders of such Shares will be treated by the Issuer as Shareholders for all purposes with effect from and including the Conversion Date.
- (b) *Dividends and other distributions:* Shares issued upon exercise of Conversion Rights will rank *pari passu* in respect of Dividends and other distributions declared, paid or made, or rights granted, with all other Shares in issue on the Conversion Date except that such Shares will not rank for any Dividend or other distribution declared, paid or made on, or rights granted in respect of, the Shares for which the Record Date precedes the Conversion Date.

- (c) *Voting rights:* Shares issued upon exercise of Conversion Rights will rank *pari passu* in respect of voting rights with all other Shares in issue on the Conversion Date except that they will not rank for any voting rights where the entitlement to voting rights accrues to Shareholders by reference to a Record Date which precedes the Conversion Date.
- (d) *Interest:* Save as provided in Condition 15 (e) (*Rights Arising on Conversion — Interest upon conversion due to early redemption*), upon conversion of any Note:
  - (i) if the Conversion Date falls on an Interest Payment Date, the Noteholder shall not be entitled to receive the payment of interest otherwise due on such Interest Payment Date; and
  - (ii) in any other case, the Noteholder shall cease to be entitled to any interest accrued on the relevant Note since the Interest Payment Date immediately preceding such Conversion Date (or, if such Conversion Date falls on or before the first Interest Payment Date, since the Issue Date),

and, in either case, no payment or adjustment shall be made on conversion for any such interest accrued since the Interest Payment Date immediately preceding such Conversion Date (or, if such Conversion Date falls on or before the first Interest Payment Date, since the Issue Date). Upon the Conversion Date of any Note, all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof (for this purpose treating any Coupon expressed to be payable on or after the relevant Conversion Date as an unmatured Coupon).

- (e) *Interest upon conversion due to early redemption:*

If:

- (i) any notice requiring the redemption of any Notes is given pursuant to Condition 7 (b) (*Redemption and Purchase — Redemption at the option of the Issuer*) on or after (or within 21 days before) the Record Date (the “**Relevant Record Date**”) in respect of any dividend payable in respect of the Shares;
- (ii) such notice specifies a date for redemption falling on or before (or within 14 days after) the Interest Payment Date next following the Relevant Record Date; and
- (iii) the Conversion Date in respect of any Note the subject of any such notice (a “**Relevant Note**”) falls after the Relevant Record Date and on or before the Interest Payment Date next following the Relevant Record Date,

then interest shall accrue on each Relevant Note from and including the preceding Interest Payment Date (or, if the relevant Conversion Date falls on or before the first Interest Payment Date, from and including the Issue Date) to but excluding the Relevant Record Date. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in a city in which banks have access to the TARGET System, in accordance with instructions given by the relevant Noteholder or, in the case of an election by the Trustee pursuant to Condition 14(a) (*Trustee’s Discretion to Convert Before Redemption — Parity exceeds redemption moneys*), the Trustee.

## ADJUSTMENTS TO THE CONVERSION PRICE

### 16. Change of Control

- (a) *Offer:* If an Offer is made in respect of the Shares, the Issuer shall give notice of such Offer to the Noteholders, with a copy to the Trustee, at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) indicating that details concerning such Offer may be obtained from the Specified Offices of the Paying and Conversion Agents.
- (b) *Extension of Offer to Noteholders:* Where an Offer in respect of the Shares has been recommended by the board of directors of the Issuer, or where such an Offer has become or been declared unconditional in all respects, the Issuer shall use its reasonable endeavors to procure that the Offer is extended to the holders of any Shares issued during the period in

which such Offer is open for acceptance (as determined in accordance with any relevant laws, rules, regulations and voluntary codes applicable to such Offer) as a result of the exercise of Conversion Rights.

- (c) *Change Of Control Event:* In these Conditions, a “**Change of Control Event**” occurs if an Offer in respect of the Shares has become or been declared unconditional in all respects and the Issuer becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Shareholders has or will become unconditionally vested in the offeror and/or any associates (s) of the offeror, or an event occurs which has a like or similar effect.
- (d) *Adjustment to the Conversion Price:* Subject to Condition 32 (*Shareholders Approval of Certain Conditions*), if and whenever a Change of Control Event shall occur the Issuer shall forthwith give notice to the Noteholders (a “**Change of Control Event Notice**”), with a copy to the Trustee, of such event and, in relation to each Note for which the Conversion Date occurs after the date of such Change of Control Event Notice but on or prior to the 60th day following the date of such Change of Control Event Notice, the Conversion Price shall be determined in accordance with the following table (*provided that on each occasion on which the Conversion Price is adjusted pursuant to these Conditions each Conversion Price shown in the following table shall be adjusted at the same time by the same proportion*):

<u>Conversion Date</u>	<u>Conversion Price (€)</u>
On or before July 16, 2008 .....	0.473
After July 16, 2008, but on or before July 16, 2009 .....	0.489
After July 16, 2009, but on or before July 16, 2010 .....	0.506
After July 16, 2010, but on or before July 16, 2011 .....	0.522
After July 16, 2011 but on or before the Maturity Date .....	0.539

- (e) *Change of Control Event Notice:* Any Change of Control Event Notice shall inform Noteholders of their entitlement to exercise the Conversion Right in accordance with these Conditions and shall specify:
- (i) all information material to Noteholders concerning the Change of Control Event which the Issuer is legally able to provide;
  - (ii) the Conversion Price in relation to each Note for which the Conversion Date occurs on the date of such notice to the Noteholders; and
  - (iii) the Conversion Price in relation to each Note for which the Conversion Date occurs after the date of such notice to the Noteholders but on or prior to the 60th day following the date of such notice to the Noteholders.

## 17. Dividends

- (a) *Adjustment Event:* If and whenever the Issuer shall distribute any Dividend to the Shareholders, the Conversion Price shall be subject to adjustment in accordance with this Condition 17.
- (b) *Effective Date.* For the purposes of this Condition 17, the “**Effective Date**” means the date on which the relevant Dividend is actually distributed and paid.
- (c) *Adjustment to the Conversion Price:* If and whenever the Issuer shall distribute any Dividend to the Shareholders, in relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share (expressed in Euro) on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of such Dividend; and

B = the Fair Market Value on the date of such announcement of the portion of the Dividend attributable to one Share.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 18 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

#### 18. Bonus Issues

- (a) *Adjustment event:* If and whenever the Issuer shall make any Bonus Issue, the Conversion Price shall be subject to adjustment in accordance with this Condition 18.
- (b) *Effective Date:* For the purposes of this Condition 18, the “**Effective Date**” means the date of issue of the relevant Shares.
- (c) *Adjustment to the Conversion Price.* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A}{B}$$

where:

A = the number of issued Shares immediately before the issue of such Shares; and

B = the number of issued Shares immediately after the issue of such Shares.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 18 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

#### 19. Consolidation or Subdivision of Shares

- (a) *Adjustment event:* If and whenever there shall be a consolidation or subdivision of the Shares, the Conversion Price shall be subject to adjustment in accordance with this Condition 19.
- (b) *Effective Date.* For the purposes of this Condition 19, the “**Effective Date**” means the date on which such subdivision or consolidation becomes effective.
- (c) *Adjustment to the Conversion Price.* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A}{B}$$

where:

A = the number of issued Shares immediately before such alteration; and

B = the number of issued Shares immediately after such alteration.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 19 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

#### 20. Shares, Rights and Share-Related Securities Issued to Shareholders

- (a) *Adjustment event.* If and whenever the Issuer shall issue, grant or offer Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities to all or substantially all of the Shareholders as a class by way of rights as a result of which, in each case, Shareholders have the right to acquire Shares at a Consideration per Share which is less than

95% of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of such issue, grant or offer, the Conversion Price shall be subject to adjustment in accordance with this Condition 20.

- (b) *Effective Date.* For the purposes of this Condition 20, the “*Effective Date*” means the first date on which the Shares are traded ex-rights, ex-warrants or ex-options on the Relevant Exchange.
- (c) *Adjustment to the Conversion Price.* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A = the number of issued Shares on the Exchange Business Day immediately preceding the date of such announcement;

B = the number of Shares which the Aggregate Consideration would purchase at such Current Market Price; and

C = (1) in the case of an issue, grant or offer of Shares, the number of Shares comprised in the issue, grant or offer; or

(2) in the case of an issue, grant or offer of Share-Related Securities or Rights, the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities or Rights at the initial price or rate.

- (d) *Formula:* If on the date (the “**Specified Date**”) of issue, grant or offer of the relevant Share-Related Securities, Rights in respect of Shares or Rights in respect of Share Related Securities the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities or Rights is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 20, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.
- (e) *Effect of adjustment.* The Conversion Price as adjusted pursuant to this Condition 20 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

## 21. Issue of Other Securities to Shareholders

- (a) *Adjustment event:* If and whenever the Issuer shall issue any securities (other than Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities) to all or substantially all of the Shareholders as a class by way of rights or the Issuer shall issue or grant any Rights in respect of any securities (other than Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities) or assets to all or substantially all of the Shareholders as a class, the Conversion Price shall be subject to adjustment in accordance with this Condition 21.
- (b) *Effective Date:* For the purposes of this Condition 21, “**Effective Date**” means the first date on which the Shares are traded ex-rights, ex-warrants or ex-options on the Relevant Exchange.
- (c) *Adjustment to the Conversion Price.* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of such issue or grant; and

B = the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 21 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

## 22. Issues of Shares at Below Current Market Price

- (a) *Adjustment event.* If and whenever the Issuer shall issue, wholly for cash, any Shares or the Issuer shall issue or grant, wholly for cash or for no consideration, Rights in respect of Shares or Rights in respect of Share-Related Securities as a result of which, in each case, persons to whom the Shares or Rights are issued or granted have the right to acquire Shares at a Consideration per Share which is less than 95% of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be subject to adjustment in accordance with this Condition 22. However, if any such issue or grant also falls within the terms of Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*) or constitutes an issue of Shares consequent upon the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares, the Conversion Price shall not be subject to adjustment in accordance with this Condition 22.
- (b) *Effective Date:* For the purposes of this Condition 22, the “**Effective Date**” means the date of issue of such Shares or, as the case may be, the issue or grant of such Rights.
- (c) *Adjustment to the Conversion Price.* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A = the number of issued Shares on the Exchange Business Day immediately preceding the date of such announcement;

B = the number of Shares which the Aggregate Consideration would purchase at such Current Market Price; and

C = (1) in the case of an issue of Shares, the number of Shares issued; or (2) in the case of an issue or grant of Rights, the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares and, if applicable, Share-Related Securities pursuant to the terms of such Rights and, if applicable, Share-Related Securities at the initial price or rate.

- (d) *Formula:* If on the date (the “**Specified Date**”) of issue or grant of the relevant Rights in respect of Shares or Rights in respect of Share-Related Securities the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares and, if applicable, Share-Related Securities pursuant to the terms of such Rights and, if applicable, Share-Related Securities is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 23, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred

as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.

- (e) *Effect of adjustment.* The Conversion Price as adjusted pursuant to this Condition 22 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

### 23. Share-Related Securities Issued Other than to Shareholders

- (a) *Adjustment event:* If and whenever the Issuer or any Subsidiary or (pursuant to arrangements with the Issuer or any of its Subsidiaries) any other person or entity shall issue, wholly for cash or for no consideration, any Share-Related Securities or shall grant to any existing securities so issued such rights as to make such securities Share-Related Securities as a result of which, in each case, persons to whom the Share-Related Securities or such rights are issued or granted have the right to acquire Shares at a Consideration per Share which is less than 95% of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of issue of such Share-Related Securities or the terms of such grant, the Conversion Price shall be subject to adjustment in accordance with this Condition 23. However, if any such issue or grant also falls within the terms of Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*), Condition 21 (*Issue of Other Securities to Shareholders*) or Condition 22 (*Issues of Shares at Below Current Market Price*), the Conversion Price shall not be subject to adjustment in accordance with this Condition 23.
- (b) *Effective Date:* For the purposes of this Condition 23 the “**Effective Date**” means the date of issue of the Share-Related Securities or the grant of the relevant rights.
- (c) *Adjustment to the Conversion Price.* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A = the number of issued Shares on the Exchange Business Day immediately preceding the date of such announcement;

B = the number of Shares which the Aggregate Consideration would purchase at such Current Market Price; and

C = the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate.

- (d) *Formula:* If on the date (the “*Specified Date*”) of issue of the relevant Share-Related Securities or date of grant of such rights the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 23, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.
- (e) *Effect of adjustment.* The Conversion Price as adjusted pursuant to this Condition 23 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

## 24. Amendment of Terms of Rights or Share-Related Securities

- (a) *Adjustment event:* If and whenever the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of any Rights or Share-Related Securities are amended (other than in accordance with their terms of issue (including terms as to adjustment of such rights)) so that following such amendment the Consideration per Share is (1) reduced and (2) less than 95% of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of the proposals for such amendment, the Conversion Price shall be subject to adjustment in accordance with this Condition 24.
- (b) *Effective Date:* For the purposes of this Condition 24, “**Effective Date**” means the date of amendment of such rights.
- (c) *Adjustment to the Conversion Price.* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A = is the number of issued Shares on the Exchange Business Day immediately preceding the date of such announcement;
- B = is the number of Shares which the Aggregate Consideration (calculated taking account of the amended rights) would purchase at such Current Market Price; and
- C = the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities at the amended subscription, purchase or acquisition price or rate (but giving credit in such manner as shall be Determined by an Expert to be appropriate for any previous adjustment under Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*), Condition 23 (*Share-Related Securities Issued Other than to Shareholders*) or this Condition 24).
- (d) *Formula:* If on the date (the “**Specified Date**”) of such amendment the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 24, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.
- (e) *Effect of adjustment.* The Conversion Price as adjusted pursuant to this Condition 24 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

## 25. Spin-off or Demerger

- (a) *Adjustment event:* If and whenever the Issuer or any Subsidiary or (pursuant to arrangements with the Issuer or any of its Subsidiaries) any other person or entity shall offer any securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them, the Conversion Price shall be subject to adjustment in accordance with this Condition 25. However, if any such offer also causes the Conversion Price to be adjusted within the terms of Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*) or Condition 21 (*Issue of Other Securities to Shareholders*) (or would cause the Conversion Price to be so adjusted if the relevant Consideration per Share was less than 95% of the Current Market Price per Share on the relevant Exchange Business Day), the Conversion Price shall not be subject to adjustment in accordance with this Condition 25.

- (b) *Effective Date:* For the purposes of this Condition 25, the “**Effective Date**” means the first date on which the Shares are traded ex-rights on the Relevant Exchange.
- (c) *Adjustment to the Conversion Price.* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the Exchange Business Day immediately preceding the date of the first public announcement of such offer; and

B = the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Share.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 25 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

## 26. Other Events; Contemporaneous Events

- (a) *Adjustment event:* If the Issuer (after consultation with the Trustee) or the Trustee (after consultation with the Issuer) determines that:

- (i) an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in 16 (*Change of Control*) to Condition 25 (*Spin-off or Demerger*) (even if the relevant event or circumstance is specifically excluded from the operation of Condition 16 (*Change of Control*) to Condition 25 (*Spin-off or Demerger*)); or
- (ii) more than one event which gives rise or may give rise to an adjustment to the Conversion Price has occurred or will occur within such a short period of time that a modification to the operation of the adjustment provisions is required in order to give the intended result,
- (iii) one event which gives rise or may give rise to more than one adjustment to the Conversion Price has occurred or will occur such that a modification to the operation of the adjustment provisions is required in order to give the intended result,

the Issuer shall, at its own expense, use all reasonable endeavors to procure that such adjustment (if any) to the Conversion Price as is fair and reasonable to take account thereof and the date on which such adjustment should take effect shall be Determined by an Expert provided that the Conversion Price may not be increased pursuant to this Condition 26.

- (b) *Effective Date:* Upon such determination, the Issuer and the Trustee shall procure that such adjustment (if any) shall be made and shall take effect in accordance with such determination, *provided, however,* that an adjustment shall only be made pursuant to this Condition 26 if the relevant Expert is requested to make such a determination not more than 30 days after the date on which the relevant event occurs or circumstances exist.
- (c) *Certificate of Expert:* If any doubt shall arise as to any appropriate adjustment to the Conversion Price, the Issuer shall use all reasonable endeavors to procure that the appropriate adjustment shall be Determined by an Expert and a certificate from the relevant Expert as to the appropriate adjustment to the Conversion Price shall, in the absence of manifest error, be conclusive and binding on all concerned.

## 27. Minor Adjustments and No Adjustments

- (a) *Rounding and adjustments of less than one per cent:* On any adjustment of the Conversion Price, the resultant Conversion Price, if not an integral multiple of one cent, shall be rounded down to the nearest whole cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent of the

Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment but such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

- (b) *Employee, directors and officers share schemes:* No adjustment shall be made to the Conversion Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees or former employees (including directors and other individuals or management companies holding executive office) of the Issuer or any Subsidiary or any associated company of the Issuer pursuant to any employees' share scheme or plan (including a dividend reinvestment plan).
- (c) *Adjustments not permitted by law:* The Conversion Price may not be adjusted so that exercise of the Conversion Right would require Shares to be issued in circumstances not permitted by applicable law. The Issuer shall use all reasonable efforts to ensure that the adjustments to the Conversion Price provided for by these Conditions are at all relevant times permitted by applicable law.

## **28. Adjustments for Conversion near a Record Date**

- (a) *Adjustment Event:* If and whenever the Conversion Price is to be adjusted pursuant to any of Condition 16 (*Change of Control*) to Condition 25 (*Spin-off or Demerger*) and the Conversion Date in relation to any Note is either:
  - (i) after the Record Date for any such issue, distribution, grant or offer as is mentioned in the relevant Condition but before the relevant adjustment becomes effective under the relevant Condition; or
  - (ii) before the Record Date for any such issue, distribution, grant or offer as is mentioned in the relevant Condition but in circumstances where the relevant Noteholder is unable, by the relevant Record Date, to become duly entitled to the Shares for the purpose of receiving the issue, distribution, grant or offer as is mentioned in the relevant Condition,the Conversion Right attaching to the relevant Note shall be subject to adjustment in accordance with this Condition 28.
- (b) *Adjustment to the Conversion Right.* Upon the relevant adjustment becoming effective under the relevant Condition the Issuer shall procure that there shall be issued to the converting Noteholder or in accordance with the instructions contained in the relevant Conversion Notice (subject to any applicable exchange control or other laws or other regulations) such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Note, is equal to the number of Shares which would have been required to be issued on conversion of such Note if the relevant adjustment to the Conversion Price had in fact been made and become effective immediately before the relevant Conversion Date.
- (c) *Shares in bearer form:* Such additional Shares will be delivered in such form (which is expected to be dematerialized) and through such settlement system (which is expected to be Euroclear Belgium) as will be customary at the time for the Shares of the Issuer, unless the relevant Noteholder elects to receive these additional Shares in registered form. Where Shares are to be issued through Euroclear Belgium or another settlement system or financial institution, they will be delivered to the account specified by the relevant Noteholder in the relevant Conversion Notice by not later than seven Brussels business days following the relevant Conversion Date or the date of issue of the relevant Shares, if adjustment results from the issue of Shares, whichever is the later.
- (d) *Shares in registered form:* Where such additional Shares are to be issued in registered form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the person entitled thereto) to the relevant Noteholder or as it may direct in the relevant Conversion Notice within 28 days following the relevant Conversion Date or the date of issue of the relevant Shares, if adjustment results from the issue of Shares, whichever is the later.
- (e) *Trustee's Discretion to Convert Before Redemption:* In the case of an election by the Trustee pursuant to Condition 14 (*Trustee's Discretion to Convert Before Redemption*), each reference

to the Shares in Condition 14(e) (*Trustee's Discretion to Convert Before Redemption — Sale of Shares*) shall be construed to include any such additional Shares.

## 29. Aggregate Consideration and Consideration per Share

- (a) *Applicability of this Condition:* For the purpose of calculating any adjustment to the Conversion Price pursuant to these Condition, in the case of any:
- (i) issue, grant or offer of Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities; or
  - (ii) grant to any existing securities issued of such rights as to make such securities Share-Related Securities; or
  - (iii) amendment of the terms of any Rights or Share-Related Securities (other than in accordance with their terms of issue),

the “**Aggregate Consideration**” and the “**Number of Shares**” shall be calculated or determined (if necessary) in accordance with the following provisions of this Condition 29 and the “**Consideration per Share**” shall, in each case, be the relevant Aggregate Consideration divided by the relevant Number of Shares.

- (b) *Shares for cash:* In the case of an issue, grant or offer of Shares for cash:
- (i) the Aggregate Consideration shall be the amount of such cash, *provided that* in no such case shall any deduction be made for any commissions or any expenses paid or incurred by the Issuer for any underwriting of the issue or otherwise in connection therewith; and
  - (ii) the Number of Shares shall be the number of Shares so issued, granted or offered.
- (c) *Shares not for cash:* In the case of the issue, grant or offer of Shares for a consideration in whole or in part other than cash:
- (i) the Aggregate Consideration shall be the amount of such cash (if any) plus the consideration other than cash, which shall be deemed to be the Fair Market Value thereof or, if pursuant to applicable law such determination is to be made by application to a court of competent jurisdiction, the value thereof as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof; and
  - (ii) the Number of Shares shall be the number of Shares so issued, granted or offered.
- (d) *Issue of Share-Related Securities:* In the case of the issue, grant or offer of Share-Related Securities or Rights in respect of Share-Related Securities or the grant to any securities issued of such rights as to make such securities Share-Related Securities:
- (i) the Aggregate Consideration shall be:
    - (A) the consideration (if any) received by the Issuer for such Share-Related Securities and (if applicable) Rights or, as the case may be, such grant; plus
    - (B) the additional consideration (if any) to be received by the Issuer upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate,

the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 29; and

- (ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) such exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate.

- (e) *Amendment of Share-Related Securities/Rights in respect of Share-Related Securities:* In the case of the amendment of the terms of any Share-Related Securities and/or Rights in respect of Share-Related Securities (in either case, other than in accordance with their terms of issue):
- (i) the Aggregate Consideration shall be:
    - (A) the consideration (if any) received by the Issuer for such amendment; plus
    - (B) the additional consideration (if any) to be received by the Issuer upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate or (in the case of an amendment to the terms of such Share-Related Securities) the amended price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate,the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 29; and
  - (ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) such exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate or (in the case of an amendment to the terms of such Share-Related Securities) the amended price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate.
- (f) *Rights in respect of Shares:* In the case of the issue, grant or offer of Rights in respect of Shares or the amendment of the terms of any Rights in respect of Shares (other than in accordance with their terms of issue):
- (i) the Aggregate Consideration shall be:
    - (A) the consideration received by the Issuer for any such Rights or, as the case may be, such amendment; plus
    - (B) the additional consideration to be received by the Issuer upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate,the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 29; and
  - (ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate.
- (g) *Currency translation:* If any of the consideration referred to in any of the preceding paragraphs of this Condition 29 is receivable in a currency other than Euro, such consideration shall be translated into Euro for the purposes of this Condition 29:
- (i) in any case where there is a fixed rate of exchange between Euro and the relevant currency for the purposes of the issue, grant or offer of the Shares, Share-Related Securities or Rights, the exercise of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights or the exercise of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities, at such fixed rate of exchange; and
  - (ii) in all other cases, at the Screen Rate on the date as of which the said consideration is required to be calculated.

### 30. Trustee Not Obligated to Monitor

The Trustee shall not be under any duty to monitor or make enquiries as to whether or not any event or circumstance which gives rise or may give rise to an adjustment to the Conversion Price has occurred or may occur and will not be responsible to Noteholders for any loss arising from any failure by it to do so.

### 31. Notice of Adjustment of the Conversion Price

The Issuer shall give notice to the Trustee, to the Noteholders in accordance with Condition 46 (*Notices*) and to the Luxembourg Stock Exchange (so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange) of any adjustment of the Conversion Price as soon as reasonably practicable following the determination thereof.

## COVENANTS RELATING TO THE EQUITY OPTION

### 32. Shareholders Approval of Certain Conditions

- (a) *Shareholders approval.* The Issuer shall use all reasonable endeavors to ensure that Condition 7(c) (*Redemption and Purchase — Redemption at the option of Noteholders Following a Change of Control*) and Condition 16(d) (*Change of Control — Adjustment to the Conversion Price*) are approved by its first Shareholders' meeting in respect of which convening notices to Shareholders are issued after the Issue Date, and at the latest on October 16, 2007 and that a copy of the approval resolution is promptly filed with the competent commercial court, in accordance with Article 556 of the Belgian Company Code.
- (b) *Effect of approval.* Conditions 7(c) (*Redemption and Purchase — Redemption at the option of Noteholders Following a Change of Control*) and 16(d) (*Change of Control — Adjustment to the Conversion Price*) shall not be effective unless and until approved in accordance with paragraph (a) of this Condition 32. Such approval shall operate at the time of the court filing referred to in that paragraph, without retrospective effect.

### 33. Listing of Shares Issued upon Conversion

The Issuer shall use all reasonable endeavors to ensure that the Shares issued upon exercise of any Conversion Right will be admitted to listing on the Relevant Exchange in accordance with its rules and will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems by which the Shares are then (following application by or on behalf of the Issuer) admitted to listing, trading and/or quotation in accordance with their respective rules.

### 34. Corporate Reorganization

- (a) Merger; sale of assets: In the event of any:
  - (i) consolidation, amalgamation or merger of the Issuer with any other corporation (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation); or
  - (ii) sale or transfer of all or substantially all of the assets of the Issuer,the Issuer shall immediately notify the Noteholders and the Trustee of such event and (so far as legally possible) cause the corporation resulting from such consolidation, amalgamation or merger or the corporation which shall have acquired such assets, as the case may be, to execute a trust deed supplemental to the Trust Deed providing that the holder of each Note then outstanding shall have the right (during the Conversion Period) to convert such Note into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Shares into which such Note would have been converted had the relevant Conversion Date fallen immediately prior to such consolidation, amalgamation, merger, sale or transfer.
- (b) *Other adjustments:* Such supplemental trust deed shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in these Conditions. The undertaking contained in this Condition 34 is without prejudice to the provisions of

Condition 16 (*Change of Control*) and shall apply in the same way to any subsequent consolidations, amalgamations, mergers, sales or transfers.

### **35. Restriction on New Classes of Shares**

For so long as any Conversion Right remains exercisable, the Issuer shall not create or permit there to be in issue any class of shares in its equity share capital carrying any rights which are more favorable than the rights attaching to the Shares with respect to voting, dividends or liquidation.

### **36. Frustration of Conversion Right**

For so long as any Conversion Right remains exercisable, the Issuer shall not take any action which would have the effect, or but for the provisions of Condition 27(c) (*Minor Adjustments and No Adjustments — Adjustments not permitted by law*) would have the effect, that exercise of the Conversion Right would require Shares to be issued in circumstances not permitted by applicable law.

### **37. Capitalization of Profits or Reserves**

For so long as any Conversion Right remains exercisable, the Issuer shall not issue or pay up any securities, in either case, by way of capitalization of profits or reserves, except:

- (a) where such action gives rise (or would, but for the provisions of Condition 27 (*Minor Adjustments and No Adjustments*), give rise) to an adjustment to the Conversion Price;
- (b) where such action constitutes a Dividend in Shares which does not give rise to an adjustment to the Conversion Price; or
- (c) by the issue of fully paid equity share capital (other than Shares) to the holders of equity share capital of the same class and other persons entitled thereto.

### **38. Reduction of Share Capital**

For so long as any Conversion Right remains exercisable, the Issuer shall not reduce its issued share capital except where such reduction:

- (a) gives rise (or would, but for the provisions of Condition 27 (*Minor Adjustments and No Adjustments*), give rise) to an adjustment to the Conversion Price;
- (b) is pursuant to the terms of the relevant share capital; or
- (c) is by means of a purchase or redemption of share capital.

## **MISCELLANEOUS PROVISIONS**

### **39. Determined by an Expert**

In relation to any matter required by these Conditions or the Trust Deed to be Determined by an Expert, the Issuer shall promptly appoint an Expert with the prior written approval of the Trustee. If when any matter is required by these Conditions or the Trust Deed to be Determined by an Expert, the Issuer shall within a reasonable time fail to appoint an Expert the Trustee shall be entitled (but not obliged) to make such appointment. In either case, any such appointment shall be for the account of the Issuer.

### **40. Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

### **41. Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying and Conversion Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### 42. Trustee and Paying and Conversion Agents

- (a) *Role of Trustee:* Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit. In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.
- (b) *Roles of Paying and Conversion Agents:* In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying and Conversion Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.
- (c) *Changes to Paying and Conversion Agents:* The initial Paying and Conversion Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying and Conversion Agent and to appoint a successor principal paying and conversion agent and additional or successor paying and conversion agents; *provided, however, that* the Issuer shall at all times maintain a principal paying and conversion agent and a paying and conversion agent in Luxembourg.

Notice of any change in any of the Paying and Conversion Agents or in their Specified Offices shall promptly be given to the Noteholders.

#### 43. Meetings of Noteholders and Shareholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed, in accordance with the rules of the Belgium Company Code (the “Code”).

All meetings of Noteholders will be held in accordance with the provisions of Article 568 *sq.* of the Code with respect to bondholders meetings; provided however that the Issuer shall promptly convene a meeting of Noteholders upon demand of the Trustee, and the Trustee shall so demand upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. Subject to the quorum and majority requirements set out in Article 574 of the Code, and if required thereunder subject to validation by the courts of appeal of Antwerp, the meeting of Noteholders shall be entitled to exercise the powers set out in Article 568 of the Code and to modify or waive any provision of these Conditions, provided however that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Resolutions duly passed in accordance with these provisions shall be binding on all Noteholders and Couponholders, whether or not they are present at the meeting and whether or not they vote in favor of such a resolution.

Convening notices for meetings of Noteholders shall be made in accordance with Article 570 of the Code, which currently requires an announcement to be published not less than fifteen days prior to the meeting in the Belgian Official Gazette (“*Moniteur belge*”/“*Belgisch Staatsblad*”) and in a newspaper of national distribution in Belgium. Convening notices shall also be made in accordance with Condition 46 (*Notices*).

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver.* The Trustee may, without the consent of the Noteholders or Couponholders agree (i) to any modification of these Conditions, the Notes or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of these Conditions, the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders authorize or waive any proposed breach or breach of these Conditions, the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorization, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

- (c) *Meetings of Shareholders and Right to Information:* The Noteholders shall be entitled to attend all general meetings of Shareholders of the Issuer, in accordance with Article 537 of the Code, and they shall be entitled to receive or examine any documents that are to be remitted or disclosed to them in accordance with the Code. The Noteholders who attend any general meeting of shareholders shall be entitled only to a consultative vote.

#### **44. Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

#### **45. Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

#### **46. Notices**

Without prejudice to additional requirements under the Code, notices to the Noteholders shall be valid if published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

*In addition to Condition 46 (Notices), while all the Notes are held through the X/N System, Euroclear and Clearstream, Luxembourg notices to Noteholders, holding the Notes through such clearing systems, will be also given by delivery of the notice to the NBB, Euroclear and Clearstream, Luxembourg.*

#### **47. Governing Law and Jurisdiction**

- (a) *Governing law.* The Trust Deed and the Notes and all matters arising from or connected with the Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law, except for Condition 43 (a) (*Meetings of Noteholders and Shareholders Modifications and Waiver-Meeting of Noteholders*) and Schedule 3 to the Trust Deed which shall be governed by, and construed in accordance with, Belgian law.

*Notwithstanding the choice of English law contained in this Condition, mandatory rules of Belgian Company Law shall apply to the Notarial deed constituting the Notes.*

- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Notes.

*Notwithstanding the above, Belgian courts shall have exclusive jurisdiction over matters concerning the validity of decisions of the board of directors of the Issuer and of the general shareholders’ meeting of the Issuer.*

- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 47(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 47 prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying and Conversion Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying and Conversion Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere, save to Proceedings in Belgium.

## **10. DIVIDENDS AND DIVIDEND POLICY**

The Issuer has not distributed dividends in the past five fiscal years.

The Issuer has no specific dividend policy and does not foresee distributing dividends in the short to medium term.

## 11. CAPITALIZATION AND PRINCIPAL INDEBTEDNESS

### A. Capitalization

The following table shows the consolidated capitalization of the Group as of December 2006.

	December 31, 2006 Audited	December 31, 2006 Adjusted
	in € million	
Cash and cash equivalents .....	8.3	57.5
Current bank loans and finance lease .....	5.7	5.0
<i>Credit Suisse facility</i> .....	12.8 (*1)	0.0
<i>Other bank loans and finance lease</i> .....	3.2	3.2
<i>Convertible bonds</i> .....		75.0
Non current bank loans and finance lease .....	16.0	78.2
<b>Total bank loans and finance lease</b> .....	<u>21.7</u>	<u>83.2</u>
<i>Share capital</i> .....	17.6	17.6
<i>Share premium</i> .....	475.3	475.3
<i>Retained earnings</i> .....	<u>-482.4</u>	<u>-482.4</u>
<b>Total shareholder equity</b> .....	<u>10.4</u>	<u>10.4</u>
<b>Total capitalization</b> .....	<u>32.1</u>	<u>93.6</u>

*Note on the adjustments: December 2006 numbers as adjusted to take into account the €6 million repayment of the Credit Suisse loan in January 2007 and the planned repayment of bank debt and outstanding interest and fees after issuance of the €75.0 million convertible bond leaving €49.2 million cash (See Section 7 "Use of Proceeds").*

(\*1) Credit Suisse debt reduced with €1.1 million deferred debt restructuring fees.

Except as indicated above and elsewhere in this Prospectus, there has been no material change in the capitalization of the Group since December 2006.

### B. Principal Indebtedness

In April 2004, The Gores Group together with a co-investor from the Indofin group reached an agreement with the Group and the banking syndicate to take over all outstanding senior debt and related securities and acquire 82.3% of outstanding shares by contributing most of the senior debt to the capital of the Group.

In August 2006, a new credit facility was put in place by Credit Suisse of which €13.5 million was immediately drawn to allow for the payment of some current debts and add working capital to the balance sheet. At the same time the reference shareholders, The Gores Group together with its co-investor have contributed their remaining outstanding senior debt (€59.8 million) to the equity of the Group. The €10.5 million accrued interest related to this senior debt has remained as a payable on the balance sheet. At the end of December 2006 the principal debt towards Credit Suisse including accrued interest amounts to €13.9 million. In January 2007, the Issuer has used €6 million of the proceeds of the divestiture of the "Retail point-of-sale business" to pay back part of the Credit Suisse loan, reducing outstanding senior debt to Credit Suisse with the same amount. The initial debt was secured by a first ranking mortgage on the Issuer's facilities in Oostkamp, Belgium (€3.2 million), first ranking floating charge over the business (€31.9 million) and a pledge on patents and trademarks, on shares in the Issuer held by Real Holdings LLC, on shares held by the Group in its affiliates and finally on receivables.

In 2006, a €0.7 million bridge loan was provided by The Gores Group to add working capital in first half of 2006.

The Group does not have any bank overdraft facilities other than the factoring arrangements that are in place for the Issuer's French legal entity, Arial SA. In December 2006, this factoring facility amounted to €4.7 million.

At the end of December 2006, there was a long term land lease in place (€0.5 million) and financial leases for the building and furniture (€3 million) for the Issuer's operations in Belgium.

## 12. SHARE CAPITAL, DESCRIPTION OF THE SHARES AND TRADING DATA

This Section is based on information that is publicly available, and on the Articles of Association of the Issuer, as amended on June 19, 2007.

## A. Share Capital and Shares

On the date of this Prospectus, the share capital of the Issuer amounts to €17,807,903.55 and is fully paid-up. It is represented by 283,474,447 ordinary shares, each representing a fractional value of €0.06282 or one 283,474,447th of the share capital. The Issuer's shares do not have a nominal value.

## B. Rights Attaching to the Shares

### *Voting rights*

Each shareholder of the Issuer is entitled to one vote per share. Voting rights can be suspended in relation to shares:

- which were not fully paid up, notwithstanding the request thereto of the board of directors of the Issuer;
- to which more than one person is entitled, except in the event a single representative is appointed for the exercise of the voting right;
- which entitle their holder to voting rights above the threshold of 3%, 5%, or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Issuer on the date of the relevant general shareholders' meeting, except in the event where the relevant shareholder has notified the Issuer and the Belgian Banking Finance and Insurance Commission (the "CBFA") at least 20 days prior to the date of the general shareholders' meeting on which he or she wishes to vote of its shareholding exceeding the thresholds above; and
- of which the voting right was suspended by a competent court or the CBFA.

Generally, the shareholders' meeting has sole authority with respect to:

- the approval of the statutory financial statements of the Issuer;
- the appointment and resignation of directors and the statutory auditor of the Issuer;
- the granting of discharge of liability to the directors and the statutory auditor;
- the determination of the remuneration of the directors and of the statutory auditor for the exercise of their mandate;
- the distribution of profits;
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, merger and certain other reorganizations of the Issuer;
- and the approval of amendments to the Articles of Association.

### *Right to attend and vote at general shareholders' meetings*

#### *Annual general shareholders' meeting*

The annual general shareholders' meeting is held at the registered office of the Issuer or at the place determined in the notice convening the shareholders' meeting. The meeting is held every year on the last Tuesday of March at 4 p.m. In 2007, the annual shareholders' meeting took place on March 27, 2007. At the annual general shareholders' meeting, the board of directors submits the audited statutory and consolidated financial statements and the reports of the board of directors and of the statutory auditor with respect thereto to the shareholders. The shareholders' meeting then decides on the approval of the statutory financial statements, the proposed allocation of the Issuer's profit or loss, the discharge from liability of the directors and the statutory auditor, and, when applicable, the (re-)appointment or resignation of the statutory auditor and/or of all or certain directors.

#### *Special and extraordinary general shareholders' meetings*

The board of directors or the statutory auditor can, at any given time when the interest of the Issuer so requires, convene a special or extraordinary general shareholders' meeting. Such shareholders' meeting must also be convened every time one or more shareholders holding at least 20% of the company's share capital so demand. Shareholders that do not hold at least 20% of the company's share capital do not have the right to have the general shareholders' meeting convened. Shareholders that hold at least 5% of the company's share capital can, however, submit to the board of directors proposals to add or amend agenda items for the

general shareholders' meeting. Such proposals must be submitted sufficiently in advance to the convening of the general shareholders' meeting.

#### *Notices convening the general meeting*

The notice convening the general shareholders' meeting must indicate the agenda, place, date, and time of the meeting, and the proposed resolutions that will be submitted to the meeting. The meeting cannot deliberate and vote on items that are not mentioned on the agenda, unless all shareholders are present or represented and decide unanimously to place such items on the agenda. The notice must be published in the annexes to the Belgian Official Gazette and a newspaper with nationwide distribution in Belgium at least 24 days prior to the meeting (or, if a second meeting is required and if the date of the second meeting was mentioned in the notice convening the first meeting, at least 17 days prior to the second meeting). A publication in the annexes to the Belgian Official Gazette suffices for notices convening the annual general shareholders' meeting if such meeting takes place in Kontich and on the place, date and hour referred to above and if the agenda is limited to the submission of the financial statements, the reports of the board of directors and statutory auditor relating thereto, and the discharge from liability of the directors and statutory auditor. The holders of registered shares, registered warrants and registered bonds are personally notified by letter at least 15 days prior to the meeting.

In addition to the above legal notice requirements required pursuant to Belgian company laws, notices to the Noteholders shall also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *D'Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

#### *Formalities to attend the general meeting*

All holders of shares, warrants or bonds (if any) issued by the Issuer can attend shareholders' meetings. Only shareholders, however, can vote at shareholders' meetings. In order to attend the general shareholders' meeting, holders of bearer instruments in book-entry form must deposit a certificate issued by a recognized account holder with the clearing agency for the financial instruments concerned or the clearing agency itself, confirming the number of financial instruments that have been registered in the name of the holder concerned and stating that these financial instruments are blocked until after the date of the general meeting. The certificate must be deposited at the Issuer's registered office or any other place indicated in the notice convening the shareholders' meeting at the latest four business days prior to the meeting. Holders of bearer instruments in physical form must deposit their financial instruments at the Issuer's registered office or any other place indicated in the notice convening the shareholders' meeting within the same term. Holders of registered instruments must be registered in the relevant register book and, where applicable, can be requested to inform the board of directors at the latest four business days prior to the shareholders' meeting whether they will attend the shareholders' meeting.

#### *Registration date*

The Articles of Association also allow the board of directors to specify a registration date in the notice convening the shareholders' meeting. If the board of directors decides to set a registration date in the notice, only shareholders who have shares at 24:00 hours (Central European Time, GMT+1) on the registration date may participate and vote with such shares at the shareholders' meeting, regardless of the number of shares that they hold on the actual date of the shareholders' meeting. The specified registration date can be no earlier than 15 calendar days, and no later than five business days, before the date of the shareholders' meeting. If the board of directors decides to set a registration date, the notice convening the shareholders' meeting must be published in the annexes to the Belgian Official Gazette and a newspaper with nationwide distribution in Belgium at least 24 days prior to the registration date (or, if a second meeting is required and if the date of the second meeting was mentioned in the notice convening the first meeting, at least 17 days prior to the registration date for the second meeting).

#### *Power of attorney*

Each shareholder has the right to attend a general shareholders' meeting and to vote at the general shareholders' meeting in person or through a proxy holder. The proxy holder does not need to be a shareholder. The board of directors can request the participants to the meeting to use a model of power of attorney (with voting instructions), which must be deposited at the Issuer's registered office at least four business days prior to the meeting.

### *Quorum and majorities*

In general, there is no quorum requirement for a general shareholders' meeting and decisions are generally passed with a simple majority of the votes of the shares present and represented. Capital increases not decided by the board of directors within the framework of the authorized capital, decisions with respect to the Issuer's dissolution, mergers, demergers and certain other reorganizations of the company, amendments to the Articles of Association (other than an amendment of the corporate purpose), and certain other matters referred to in the Belgian Company Code do not only require the presence or representation of at least 50% of the share capital of the Issuer but also the approval of at least 75% of the votes cast. An amendment of the Issuer's corporate purpose, requires the approval of at least 80% of the votes cast at a general shareholders' meeting, which in principle can only validly pass such resolution if at least 50% of the share capital of the Issuer and at least 50% of the profit certificates, if any, are present or represented. In the event where the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second general shareholders' meeting can validly deliberate and decide regardless of the number of shares present or represented.

### *Dividends*

All shares participate in the same manner in the Issuer's profits (if any). Pursuant to the Belgian Company Code, the shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the annual general shareholders' meeting, based on the most recent audited statutory financial statements, prepared in accordance with the generally accepted accounting principles in Belgium and based on a (non-binding) proposal of the board of directors. The company's articles of Association also authorize the board of directors to issue interim dividends on profits of the current financial year subject to the terms and conditions of the Belgian Company Code.

Dividends can only be distributed if following the declaration and issuance of the dividends the amount of the company's net assets on the date of the closing of the last financial year as follows from the statutory financial statements (i.e. the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities, all as prepared in accordance with Belgian accounting rules), decreased with the non-amortized costs of incorporation and extension and the non-amortized costs for research and development, does not fall below the amount of the paid-up capital, increased with the amount of non-distributable reserves. In addition, prior to distributing dividends, 5% of the net profits must be allotted to a legal reserve, until the legal reserve amounts to 10% of the share capital.

### *Rights regarding liquidation*

The Issuer can only be dissolved by a shareholders' resolution passed with a majority of at least 75% of the votes cast at an extraordinary general shareholders' meeting where at least 50% of the share capital is present or represented.

### *Changes to the share capital*

#### *Changes to the share capital decided by the shareholders*

The general shareholders' meeting can at any given time decide to increase or decrease the Issuer's share capital. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the Articles of Association.

#### *Capital increases by the board of directors*

Subject to the same quorum and majority requirements, the general shareholders' meeting can authorize the board of directors, within certain limits, to increase the Issuer's share capital without any further approval of the shareholders. This is the so-called authorized capital. This authorization needs to be limited in time (i.e., it can only be granted for a renewable period of maximum 5 years), and in scope (i.e., the maximum number of shares that the board of directors can be authorized to issue may not exceed the amount of the outstanding shares of the Issuer at the time of the authorization).

### *Preferential subscription right*

In the event of a capital increase in cash with issue of new shares, or in the event of an issue of convertible bonds or warrants, the shareholders have a preferential right to subscribe to the new shares, convertible bonds or warrants, pro rata of the part of the share capital represented by the shares that they

already have. The general shareholders' meeting can decide to limit or cancel this preferential subscription right, subject to special reporting requirements. Such decision needs to satisfy the same quorum and majority requirements as the decision to increase the Issuer's share capital.

### **C. Warrants and Share Options**

The following subsection provides an overview of the outstanding warrants and share options at the date of this Prospectus, and discusses the relevant issue and exercise conditions of the outstanding warrants.

#### *Warrants 2005*

On July 28, 2005, the Issuer created 2,872,943 warrants, named "Warrants 2005" within the framework of a stock option plan for its employees within the authorized capital (under the previously applying terms with respect to the authorized capital). All 2,872,943 Warrants 2005 were granted, but none of the beneficiaries accepted the warrants. See also "Note 33" on page 99 of the Issuer's 2006 annual report.

#### *CS warrants 2006*

The CS Warrants 2006 (3 naked warrants) were created by the extraordinary general shareholders' meeting held on September 29, 2006 in the framework of the Credit Suisse Credit Facility Agreement of August 24, 2006 and were subsequently allocated to Credit Suisse International. See also "Note 33" on page 99 of the Issuer's 2006 annual report. In addition to the information contained in said annual report, please note that, as far as the exercise of these warrants are concerned, the Credit Suisse Credit Facility Agreement provides that the CS Warrants 2006 can only be exercised during their term if Credit Suisse has made Tranche B (amounting to €10 million) of the loan (totaling €23.5 million) available to the Issuer and insofar it has not received, at Credit Suisse's choice, a "Warrant Fee" instead. The Credit Facility Agreement further provides that in case of voluntary prepayment of the loan (partially or in full), the "Warrant Fee" remains due. The "Warrant Fee" is defined as the amount equal to the then current market price (i.e. the average closing market quotation of the shares underlying the relevant warrant less the exercise price of the warrant (being €0.73)).

#### *Warrants 2007*

On July 3, 2007, the board of directors of the Issuer created in the framework of (the renewed powers relating to the) the authorized capital 14,440,000 Warrants 2007 within the framework a share option plan for substantially employees, and in secondary order, consultants of the Issuer. The Warrants 2007 have in principle a term of 5 years, starting as of July 3, 2007. In principle, the Warrants 2007 can only be exercised between April 1 and 15, June 1 and 15, September 1 and 15, and December 1 and 15. The nomination and remuneration committee of the Issuer is responsible for administering the share option scheme. When the Warrants 2007 are offered to a selected participant, the concerned Warrants 2007 are in principle only finally acquired by him (i.e. vested) a certain time after the offering and subject to certain conditions, including the continuation of the participant's employment or consultancy agreement with the Issuer. Under certain conditions these Warrants 2007 (whether vested or unvested) expire in the event of the termination of the participant's employment or consultancy agreement.

None of the Warrants 2007 have been accepted by the selected participants at the date of the Prospectus.

### **D. Overview of Vote-Bearing Securities**

The table below provides an overview as per the date of this Prospectus of the voting financial instruments, whether or not representing the share capital of the Issuer (within the meaning of the Belgian Act of March 2, 1989 on the disclosure of important shareholdings in listed companies and on public take-over bids). This overview must be read together with the notes set forth there under.

Status as per  
February 26, 2007

**Actual voting rights attached to:**

Shares representing the share capital ..... 283,474,447

**Potential future voting rights attached to shares representing the share capital to be issued upon:**

Exercise of Warrants 2005 ..... 0

Exercise of CS Warrants 2006 ..... 14,686,818

294,435,734

**Additional remarks:**

Other rights to the acquisition of, or subscription to, voting securities, with conditional clauses .....

The Warrants 2007 have not yet been accepted by any of the selected participants and are therefore not taken into account in the above overview. If accepted the number of future voting rights will be increased by 14,440,000 .....

**E. Authorized Capital**

Further to the decision of the extraordinary shareholders' meeting of the Issuer of June 19, 2007 (an excerpt of which was published in the annexes to the Belgian Official Gazette on June 29, 2007), the powers of the board of directors in the framework of the authorized capital under article 6 of the Issuer's articles of association have been renewed. Pursuant to these powers, the board of directors may, within the limits of these powers and as further set forth in the other terms and regulations applicable in respect of authorized capital ("*toegestaan kapitaal*" / "*capital autoris e*"), issue shares, with or without voting rights or with the same or different rights, either preferential or otherwise, as those linked to the existing shares in the Issuer, warrants or convertible bonds.

The authority of the board of directors within the authorized capital is applicable not only for increases in capital by contribution in cash by the existing shareholders in accordance with their preferential right, but also for increases in capital by contribution in kind and increases in capital by contribution in cash with limitation or withdrawal of the preferential right of the shareholders, even in favor of persons who are not employees of the Issuer or its subsidiaries.

Pursuant to these powers, the Issuer's board of directors has been authorized to increase the share capital of the Issuer, in one or more transactions, with a maximum amount equal to €17,573,865.69. These powers can be exercised during a term of 5 years as of the date of publication in the annexes to the Belgian Official Gazette of the renewal decision, *i.e.* June 29, 2007.

The table below summarizes the transactions that the board of directors has already carried out within the framework of the authorized capital.

The board of directors has used the renewed authorization dated June 19, 2007 in the two following instances:

- By decision of the board of directors of July 3, 2007, the share capital of the Issuer was increased with a maximum amount of €907,120.80 under the condition precedent of the exercise of the 14,440,000 Warrants 2007.
- By decision of the board of directors of July 3, 2007, the share capital of the Issuer was increased by an amount of €234,037.86 through a contribution in kind of shares in Axia NV.

As at the date of this Prospectus, the board of directors still has the authority to increase the Issuer's share capital with a maximum amount of €16,432,707.03, excluding issuance premiums, if any. This enables the board of directors to issue a maximum of approximately 26,158,400 shares (using a fractional value of €0.06282 per share, which is the fractional value of the Shares at the date of this Prospectus, to be allocated to the Issuer's share capital, and excluding issuance premiums, if any).

**F. History of the Share Capital**

The table below gives an overview of the history of the share capital and the shares of the Issuer since April 28, 2000. The overview should be read together with the notes set out below the table.

For sake of comparability, amounts in Belgian francs have been converted into Euro at the official exchange rate of BEF40.3399 per €1.00.

<u>Date</u>	<u>Transaction</u>	<u>Number of Shares Issued</u>	<u>Issue Price per Share (in €)</u>	<u>Increase in Capital<sup>3</sup> (in €)</u>	<u>Capital After the Transaction (in €)</u>	<u>Shares After the Transaction</u>
April 28, 2000	Conversion of 240 ACBs Increase in capital by a contribution upon acquisition of shares in Sycron NV	2,400	35.57	150.75	884,377.57	14,077,338
		277,641	62.50	17,441.41	901,818.98	14,354,979
		248,444	69.845	15,607.25	917,426.23	14,603,423
June 26, 2000	Increase in capital by a contribution in kind upon acquisition of shares in Aerial Conseil SA	254,895	62.50	16,012.50	933,438.73	14,858,318
		230,400	67.50	14,473.73	947,912.46	15,088,718
July 12, 2000	Increase in capital after issue of an optional dividend	24,652	60.48	1,548.64	949,461.10	15,113,370
July 12, 2000	Conversion of 5,893 ACBs	58,930	35.57	3,701.76	953,162.86	15,172,300
July 17, 2000	Conversion of 365 ACBs	3,650	35.57	9,249.10	953,392.14	15,175,950
August 17, 2000	Conversion of 4,462 ACBs	44,620	35.57	2,802.86	956,195.00	15,220,570
June 28, 2001	Increase in capital by a contribution in kind of shares in ESCI-Belgium NV	228,470	6.3445	14,352.49	970,547.49	15,449,040
October 25, 2001	Contribution in kind of a debt claim of Mr. Bruce Evans against the Issuer amounting to USD 233,334	47,940	5.4668	3,011.59	973,559.08	15,496,980
	Increase in capital by a contribution in kind of shares in Meta Software Company NV	458,926	5.4668	28,829.73	1,002,388.81	15,955,906
December 21, 2001	Conversion of interest on ACBs of July 31, 2001	89,430	5.63	5,617.99	1,008,006.80	16,045,336
	Increase in capital by a contribution in kind of shares in ESCI-Belgium NV	258,400	5.63	16,232.69	1,024,239.49	16,303,736
	Increase in capital by a contribution in kind of shares in Full Speed Systems AG	1,084,956	5.63	68,156.94	1,092,396.43	17,388,692
	Increase in capital by a contribution in kind of shares (and profit shares) in Connect Automation International NV	1,541,079	5.63	98,810.58	1,189,207.01	18,388,693
	Increase in capital by a contribution in kind of shares in ASQ NV	2,463,200	5.63	154,738.22	1,343,945.23	21,392,971
	Increase in capital by a contribution in kind of shares in ASQ West NV	34,712	5.63	2,180.61	1,346,125.84	21,427,683
	Increase in capital by a contribution in kind of shares in OrbIT-S NV	892,462	5.63	56,064.46	1,402,190.30	22,320,145
	Increase in capital by a contribution in kind of shares in Real Solutions SA	1,920,195	5.63	120,626.65	1,522,816.95	24,240,340

<u>Date</u>	<u>Transaction</u>	<u>Number of Shares Issued</u>	<u>Issue Price per Share (in €)</u>	<u>Increase in Capital<sup>3</sup> (in €)</u>	<u>Capital After the Transaction (in €)</u>	<u>Shares After the Transaction</u>
March 26, 2002	Increase in capital by exercise of warrants of April 30, 1997	481,590	1.722	30,253.48	1,533,070.48	24,721,930
April 30, 2002	Increase in capital by a contribution in kind of shares in Real Solutions SA by managers	433,232	5.54	27,215.63	1,580,286.06	25,155,162
May 8, 2002	Increase in capital by exercise of warrants of April 30, 1997	233,980	1.722	14,698.62	1,594,984.68	25,389,142
August 5, 2002	Conversion of interest on ACBs of July 23, 2002	89,430	5.63	5,617.99	1,600,602.67	25,649,379
December 31, 2002	Increase in capital by a contribution in kind of software by Synes	170,807	1.61	10,730.10	1,611,332.77	25,649,379
December 31, 2002	Increase in capital by a contribution in kind of debt claims on the part of former shareholders of Real Solutions SA	4,794,524	1.61	301,192.00	1,912,524.77	30,443,903
April 6, 2004	Increase in capital by the contribution in kind of a debt claim on the part of Gores against the Issuer for €157,036,633.13	150,966,763	1.04	9,485,616.66	11,398,141.42	181,440,666
August 5, 2004	Conversion of 825 ACBs	8,250	35.57	518.27	11,398,659.69	181,448,916
April 25, 2004	Increase in capital by a contribution in kind of debt claims on the part of Mr. Rudy Hageman and Indi NV against the Issuer for €800,000	1,600,000	0.50	100,512	11,499,171.69	183,048,916
July 28, 2005	Conversion of remaining 43,890 ACBs	438,900	35.57	27,571.70	11,526,743.39	183,487,816
May 18, 2006	Increase in capital by a contribution in kind of debt claims on the part of Mr. Leo Meuris against the Issuer for €2,516,243.22	7,624,979	0.33	479,001.18	12,005,744.57	191,112,795
August 24, 2006	Conversion 1,500 G1-convertible bonds	27,273,000	0.55	1,713,289.86	13,719,034.43	218,385,795
September 29, 2006	Increase in capital by a contribution in kind of senior secured debt on the part of (i) Real Holdings LLC and (ii) Avobone NV, for a total amount of €44,795,078.82	61,363,121	0.73	3,854,831.26	17,573,866.69	279,748,916
July 3, 2007 <sup>1</sup>	Contribution in kind of the 2,500 shares of Axias NV	3,725,531	0.06282	234,037.86	17,807,903.55	283,474,447

<sup>1</sup> The Axias acquisition is further described below, under “General information — Recent developments”.

## G. Trading Data

		Price (Closing)		Average Daily Trading Volume (Number of Ordinary Shares)
		High	Low	
		€	€	
2005	1st Quarter .....	0.68	0.51	55,884
	2nd Quarter .....	0.53	0.46	40,123
	3rd Quarter .....	0.50	0.45	47,487
	4th Quarter .....	0.45	0.34	63,594
2006	1st Quarter .....	0.40	0.33	57,336
	2nd Quarter .....	0.37	0.31	82,547
	3rd Quarter .....	1.18	0.30	1,198,510
	4th Quarter .....	0.64	0.49	714,186
2007	January .....	0.61	0.58	810,915
	February .....	0.60	0.52	590,305
	March .....	0.59	0.54	182,744
	April .....	0.54	0.46	639,668
	May .....	0.48	0.42	843,360
	June .....	0.50	0.42	334,029

### 13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### A. General

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the audited annual report for 2006 which includes comparable 2005 numbers. The financial statements have been prepared in accordance with IFRS and have been audited by Deloitte Bedrijfsrevisoren BV CVBA, a civil partnership that has assumed the form of a cooperative partnership with limited liability under Belgian law, whose registered office is at Louizalaan 240, 1050 Brussels, represented by William Blomme. The financial statements for financial year 2006 were approved by the annual general shareholders' meeting held on March 27, 2007.

#### B. Financial Developments

##### *Continuing Operations*

##### *Revenue development*

Group turnover in 2006 was €90.7 million, a decrease of 12% compared to 2005 of which 2.8% is the result of the divestiture of the Issuer's 50% participation in StorkReal that took place in the beginning of 2006 and of which 9.2% reflects the continued rationalization of the business that took place in 2005 year and through the first half of 2006. Turnover in the products segment was 3.9% below 2005, which is considerably better than the 10.9% decline experienced in the first half of 2006, despite the rationalization of the product portfolio that has taken place in 2005. Services are 10.9%<sup>1</sup> below 2005, in line with decline reported in the first half of 2006, reflecting rationalization that has taken place and difficulties to recruit services professionals in the first half of 2006.

##### *Costs*

##### *Goods for resale, new materials and consumables*

Purchases of goods dropped by 18.0%, from €8.4 million in 2005 to €6.9 million in 2006. The percentage of material cost to total operating revenue dropped from 8.1% in 2005 to 7.6% in 2006. The Issuer reduced its purchases of goods for resale because it does not want to continue low margin hardware business unless it supports the Issuer's services that the Issuer delivers to its customers. Therefore the Issuer has stopped its hardware business in the Issuer's French operations.

##### *Services and other goods*

Services and other goods dropped by 17.9%, from €31.3 million in 2005 to €25.7 million in 2006. The percentage of services and other goods to total operating revenue dropped from 30.1% in 2005 to 28.1% in 2006. The Issuer continues to reduce its cost by better procurement and cost savings programs.

##### *Employee benefits expense*

Employee benefits expense dropped by 11.2%, from €61.4 million in 2005 to €54.5 million in 2006. The percentage of employee benefits expense to total operating revenue increased from 59.2% in 2005 to 59.6% in 2006. The Issuer has reduced overhead expenses over the last two years which has kept the salary cost as a percentage of total operating revenue relatively stable.

##### *Operating result before non-recurring items*

Operating result before non-recurring items increased by €2.7 million, from €1.3 million in 2005 to €4.0 million in 2006. The percentage of EBIT before non-recurring items to total operating revenue improved from 1.2% in 2005 to 4.3% in 2006. Recurring operating result improved by €2.7 million despite the divestiture of the Issuer, 50% participation in StorkReal showing a €0.3 million EBIT before non-recurring items in 2005. The better performance results from the improvement plans that were implemented in 2005 and have been continued through the first quarter of 2006 resulted in improved operational margins in the products division and lower corporate overhead.

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<sup>1</sup> This percentage is based on the 2005 turnover, as adjusted to take into account the divestiture of StorkReal (turnover revenue of €2.9 million).

### *Non-recurring result*

Non-recurring result improved by €6.0 million, from €3.3 million loss in 2005 to €2.7 million profit in 2006. This was mainly due to €1.3 million higher non-recurring revenues and €5.0 million lower restructuring charges in 2006 compared to 2005 reduced by a provisions release of €0.3 million in 2005 for settlement of old disputes that did not repeat in 2006. The restructuring plans provided for in 2005 have resulted in the expected improvements in both corporate overhead and the products divisions. This has allowed the Issuer to release a major part of the Issuer's restructuring provisions in 2006. Non-recurring revenues in 2006 included a €2.3 million benefit due to the divestiture of the Issuer's interest in StorkReal, compared to a €1.1 million favorable settlement of debt reported in the first half of 2005.

### *Operating result from continuing operations*

The operating result improved from €2.0 million loss in 2005 to €6.6 million profit in 2006. This improved result is due to improved recurring operating result of €2.7 million and improved extraordinary result of €6.0 million.

### *Net financial result*

The net financial cost increased from €5.4 million in 2005 to €5.6 million in 2006. The financial charges in 2006 included €1.0 million of exceptional financial charges relating to a bank debt repayment of €6.0 million in January 2007 following the divestiture of the "Retail point-of-sale-division". The €6.0 million bank debt repayment caused a significant decrease of the outstanding bank debt and financial interests expense.

### *Profit before income taxes from continuing operations*

Profit before income taxes increased by €8.4 million, from a loss of €7.4 million in 2005 to a profit of €1.0 million in 2006. This is entirely due to the improvement of the operating result explained above.

### *Income taxes*

Income taxes increased from €0.7 million in 2005 to €1.0 million in 2006. This is due to the better results in the Issuer's foreign affiliates. The Issuer's legal entity in Belgium, which is also the holding company for the Group, benefits from a tax loss carry forward of €275.8 million that is not limited in time. Therefore, it expects to pay taxes only on the results of the Issuer's foreign legal entities and SCS NV, which is the Issuer's Belgian joint venture (60% participation) with Dupont de Nemours.

### *Profit for the year of discontinued operations*

Profit for discontinued operations improved by €4.3 million, from €2.0 million loss in 2005 to €2.3 million profit in 2006. The divestiture of the "Retail point-of-sale division" in January 2007 allowed a release of €1.2 million of restructuring provisions in 2006 compared to €2.0 million built up restructuring provisions at the end of 2005, totaling an improvement year over year of €3.2 million. The improvement plans that have been rolled out in the "Retail point-of-sale-division" resulted in an additional improvement of €1.4 million in recurring operating result. This has been partly offset with €0.3 million impairment on the "Retail point-of-sale division" assets in anticipation of the divestiture transaction completed in January 2007.

### *Profit for the year*

Profit for the year increased by €12.4 million, from a loss of €10.1 million in 2005 to a profit of €2.3 million.

### *EBITDA before non-recurring items*

EBITDA before non-recurring items improved by €2.3 million, from €2.2 million in 2005 to €4.5 million in 2006. As a percentage of total operating income, EBITDA before non-recurring items improved from 2.1% in 2005 to 5.0% in 2006.

### *EBITDA from continuing operations*

EBITDA improved from €1.1 million loss in 2005 to €7.2 million profit in 2006. As a percentage of total operating income EBITDA improved to 7.9% in 2006.

### *Non current assets*

Non current assets reduced by €2.7 million, from €35.3 million in 2005 to €32.6 million in 2006. This is mainly due to €2.4 million property, plant and equipment related to the Issuer's "Retail point-of-sale division" that was reclassified to non current assets held for sale on the balance sheet of 2006 because of its divestiture in January 2007.

### *Current assets*

Current assets reduced by €0.9 million, from €42.0 million in 2005 to €41.1 million in 2006. This is due to €3.3 million of inventories and trade and other receivables relating to the Issuer's "Retail point-of-sale division", due to the reclassification as non current assets held for sale on the balance sheet of 2006 as a result of the divestiture in January 2007. In addition trade receivables and other have dropped with €2.1 million as a result of the lower revenues in 2006 compared to 2005. On the other hand the Issuer had a positive cash movement of €4.4 million in 2006 as a result of the new Credit Suisse financing that has been put in place in the second half of 2006.

### *Non current assets held for sale*

In December 2006, €5.7 million of assets were reclassified as non current assets held for sale because of the divestiture of the "Retail point-of-sale division" in January 2007.

### *Shareholder equity*

Shareholder equity increased by €63.4 million, from a negative equity of €52.9 million in 2005 to a positive equity of €10.5 million in 2006. At the extraordinary general shareholders' meeting held on September 29, 2006, the shareholders approved a €59.8 million contribution of debt to capital from the reference shareholders. Other events that impacted the equity position are the settlement in March 2006 over a long standing dispute resulting in the contribution in kind of a receivable against the Issuer of €2.5 million and the acquisition by the Issuer of remaining outstanding shares of Oriam SA on December 1, 2006, thus reducing equity by €1.0 million. Additionally, the Issuer reported €2.3 million profit that was included in retained earnings.

### *Non current liabilities*

Non current liabilities dropped by €43.0 million, from €60.7 million in 2005 to €17.7 million in 2006. Non current debt was reduced by €41.5 million, mainly as a result of the conversion of the long term debt to equity of the reference shareholder and the €13.5 million of new debt from Credit Suisse. In January 2007 the Issuer reported a €6.0 million repayment of its Credit Suisse debt as a result of the divestiture of the Issuer's non-strategic "Retail point-of-sale division" which further reduces its non current liabilities in 2007. Non current provisions were reduced by €1.3 million mainly because of the divestiture of the Issuer's "Retail point-of-sale division" that has allowed a provisions release of €1.2 million release in 2006.

### *Current liabilities*

Current liabilities dropped by €21.7 million, from €69.6 million in 2005 to €47.9 million in 2006. Bank overdrafts and loans reduced by €10.4 million, mainly as a result of the conversion of the current term debt to equity of the reference shareholder and the €3.9 million of current debt that was repaid as a result of the new Credit Suisse loan that has been put in place. Current provisions were reduced by €4.0 million mainly due to €3.0 million of restructuring provisions that were utilized. Trade and other payables are reduced by €6.9 million due to €2.7 million of current liabilities related to the "Retail point-of-sale division" that are reclassified to liabilities associated with non current assets that are classified as held for sale and the remainder due to a catch up of payables as a result of the new Credit Suisse loan.

### *Non-current liabilities held for sale*

At the end of December 2006, €3.3 million of liabilities were reclassified to non-current liabilities held for sale because of the divestiture of the "Retail point-of division" in January 2007.

## 14. BUSINESS DESCRIPTION

### A. The Company

Real Software (“Real” or “the Company” or “the Issuer”) is an IT solutions provider serving large and mid-sized companies in Benelux and France with a track record of over two decades. Real employs approximately 860 professionals serving numerous blue chip customers drawn from various sectors including general industrials, healthcare, financial services and government. The Company has five offices located in Belgium, Luxembourg and France. Real’s customers include *DHL*, *Johnson & Johnson*, *BASF*, *Credit Suisse*, *RA TP (Regie Autonome des Transports Parisiens)* and the Public Hospitals of Paris (APHP). Real is one of the leading independent IT solutions providers in Belgium and Luxembourg and has a strong presence in the French Public Market.

In 2004, The Gores Group, a US-based private equity group with specialized turnaround and industry expertise, became the majority shareholder of the Issuer, and initiated a comprehensive restructuring program, introducing strong corporate governance, restructuring the balance sheet and divesting non core businesses. A new management team and board of directors were also put in place at that time.

Today, Real is profitable, focused on its core business, and ideally positioned as a platform for growth in the European market. Real closed the 2006 fiscal year with revenues of €91.5 million and EBITDA before non-recurring of €4.5 million. The Company generated 50% of its revenue in Belgium, 34% in France and 16% in Luxembourg.

In addition, Real Software NV, the Belgium legal operating entity (i.e. the Issuer), has a tax loss carry forward of €275.8 million.

Real operates out of its headquarters located in Kontich, Belgium. The Issuer is currently, directly or indirectly, actively operating out of five different entities.

Real offers its customers technical software skills and IT service solutions in the following areas:

- *Software development and management services* — Real provides for the development and the post delivery support and management of software solutions for its clients. The Company has advanced skills in Java, Microsoft, Oracle, iSeries and Progress technologies combined with high standard project management and quality assurance expertise. These services are provided through three primary offers: Professional Services, Technology Innovation and Managed Application Services.

Real developed the distribution and monitoring application of parcels for the Belgian Post, taking care of all activities throughout the entire project cycle from concept plan and design through to building and deployment including testing.

- *Enterprise Software Solutions* — Real provides enterprise solutions that span the software enterprise of its clients including business intelligence, information management, customer relationship management and eBusiness. The Company partners with the leading vendors in each sector to offer the most appropriate solution to its customers.

Real implemented a Business Intelligence system and linked reporting tools for DHL. This system allows DHL to see the impact of changes to its operations and to forecast their financial impacts on a near real-time basis.

- *Vertical Software Applications* — Real offers niche vertical, packaged software products including enterprise resource planning (wholesale, textile, private banking), enterprise asset management, financial accounting systems and clinical trial management.

Real is implementing its textile ERP within the Beaulieu International Group (“BIG”), the number two global woven textiles manufacturer. The system is planned for 21 production sites thus standardizing BIG’s European information system. The Company has already successfully implemented the standard solution in certain production sites of the group.

The Issuer’s portfolio of solutions and services is focused on improving its client’s business processes through bringing technical assistance and solutions supporting business model innovation. In most client cases, the Issuer combines skills and products from the three offering areas to deliver a more comprehensive, best of breed, solution.

The Issuer’s business activity as solutions provider is broad in that it can support the entire software lifecycle — from the planning/design phase to the build/deploy phase and the run/maintenance phase

(“plan-build-run”). Supporting the entire software lifecycle provides the Issuer the opportunity to meet the customer at various points in the evolution of the client’s software lifecycle — the planning phase; the build phase or the run phase. The Issuer can provide any or all of the phases at any point in the software lifecycle.

Many of the Issuer’s solutions are underpinned by a software services and development quality program, called “CMMI@REAL”, which was launched in 2005. The CMMI@REAL program is based upon the Capability Maturity Model Integrated (CMMI) a quality program developed by the Software Engineering Institute (SEI), a US-based research and development center. The Issuer achieved certification for CMMI Level II in September 2006, and is currently progressing towards Level III certification. The achievement of this CMMI certification is a key-differentiator in the market and grants the Issuer a particular advantage against its competitors.

The implementation of CMMI@REAL has more specifically led to:

- Improved customer satisfaction.
- Standardized project management methodology.
- Predictable project schedules due to standardization, key performance indicators (“KPIs”) and other project measurement capabilities.
- Improved methodologies to measure progress and avoid over-runs and delivery date slippages.
- Improved measurable quality of the delivered services and solutions.
- More professional delivery processes and staff by introduction of methodologies for requirements analysis, development (factory approach) and maintenance.

In addition, the implementation of CMMI@REAL has also enhanced the organizational integration of the Issuer bringing departments closer together to ensure a more integrated approach to the client.

In 2006, the Issuer derived 27% of its turnover from its Products business unit which includes the vertical software application businesses and the remaining 73% from its Services business unit comprising the Software Development and the Enterprise Software Solutions businesses. It should be noted that as part of its products offering, the Issuer maintains an IBM iSeries hardware business in Luxembourg mainly around serving its private banking customers. In 2006, this activity represented less than 10% of the Group’s overall turnover.

## **B. Solutions Overview**

### *i) Software development and management services*

#### *Professional Services*

Over the years, the Issuer has built up important technical competences and an experienced workforce in core areas such as Microsoft’s Visual Basic & Net, Java, IBM iSeries, Progress and Oracle development environments. The Issuer provides technical resources to support its client’s software development and software management needs. In addition, these resources provide support for the provision of the Issuer’s other solutions, discussed below.

The professional skills are generally provided on a contract basis under a time and material billed arrangement. Most Professional Services agreements range from 3 – 12 months and the resources are generally located at the customer site. The quantity of engineers provided can range from one to thirty or more. The Issuer has a number of clients where it has provided technical, on-site resources for over ten years.

The Issuer offers junior, mid, and senior level engineers along with a host of project services and project management personnel.

#### *Technology Innovation*

Contemporary technological solutions are important for companies to achieve their business objectives, whether for growth, profit or enhanced customer and supplier relations. However, maintaining a contemporary IT environment with aging solutions poses a significant challenge for mature companies today. The Issuer has created a solutions team whose sole mandate is to help the Issuer’s customers innovate their IT solutions to better leverage their IT investments ultimately moving towards a contemporary platform. This may include the complete re-write and deployment of a business critical application; or the adding of contemporary features like web enablement to existing applications.

The Issuer leverages its pool of professional skills and competences along with its enterprise solution domains expertise, discussed below, to deliver its Technology Innovation services. The Issuer's experience and knowledge is consolidated into a Technology Innovation offering that can be used to realize a customer's business model innovation needs.

Technology Innovation solutions are provided on both a time and materials contract approach or on a fixed price basis. Once a solution is deployed the Issuer offers a support and maintenance agreement through its Managed Application Services solutions.

### *Managed Application Services*

Today, many companies are looking to move non-core support functions to partners. A main area for outsourcing or out-tasking is within the IT environment and expressly around software application management and support. Given that the Issuer has extensive experience in developing (plan), deploying (build) and managing applications (run), it is well positioned to support the growing demand of companies' managed application services. The Issuer is focused on application software management only and utilizes partners to support the outsourcing of hardware assets and hardware support.

In line with the Issuer's internal structure the Issuer has organized this solution around a plan-build-run approach.

- Plan — The Issuer provides outsourcing consultancy to the Issuer's customers, assisting them in setting up their outsourcing project including the IT governance.
- Build — The Issuer also performs the transition project, thereby executing all the necessary knowledge transfer and taking the necessary steps to bring the customer's applications and/or infrastructure environment under a Service Level Agreement (SLA). This project is executed using the Issuer's standard project management methodologies based on CMMI@REAL, PMBOK and best practices.
- Run — The Issuer provides IT outsourced services, executing application and infrastructure management under the terms of the SLA, using the ASL and ITIL methodologies.

Managed Application Services are offered across the Issuer's entire client base including enterprise solution and vertical software application clients. Managed Application Services are typically provided on a service level agreement (SLA) basis. The SLA provides for the level of resources, performance expectations and costs structures. Generally, SLA's have both fixed price and time and material pricing elements. In some cases, SLA's include performance based fees, as well.

### *ii) Enterprise Software Solutions*

Enterprise Software Solution, as the name implies, generally cross the client's enterprise and draw information from multiple systems within the client's IT enterprise. Enterprise Software Solutions work to leverage the existing IT enterprise of the client to provide better access to information whether the information access is internally or externally required. The Issuer's Enterprise Software Solutions include third party software from vendors like Microsoft, IBM, Cognos and Oracle. The Issuer combines third-party systems with its Professional Services to provide an integrated solution to the client. In addition, Enterprise Software Solutions are sold in combination with the Issuer's other offerings including Software development and management services and Vertical Software Applications.

Enterprise Software Solutions' core areas of competence are as follows:

- Business Intelligence — applications and technologies, which are used to gather, provide access to and analyze data and information.
- Information Management — managing the capture, storage, security, revision control, retrieval, distribution, preservation and destruction of documents and content.
- Customer Relationship Management — managing relationships with customers, including collecting, storing and analyzing customer information.
- eBusiness — managing electronic aspects of business interactions utilizing the web as a key medium for communications.

Enterprise Software Solutions are generally provided on either a fixed price contract basis including the third-party software or on a time and materials contract basis. The Issuer covers the full software lifecycle

(plan-build-run) under its Enterprise Software Solutions offerings. Post-implementation support is offered on a SLA basis as part of its Managed Application Services offering.

### *Business Intelligence*

Today, a solid combination of a data warehouse together with the appropriate Business Intelligence tools is crucial for the support of the strategic business decision making process.

Business Intelligence solutions draw upon core data of the IT enterprise and combine them in such a way that data become powerful decision making information. As the speed of business decision making accelerates, business managers and executives need access to timely and in many cases, real-time information about their business. The Issuer supports this need by combining best of breed tools from Microsoft, Cognos, Business Objects and Outlook Soft with Professional Services to plan, build and run business intelligence solutions for its clients.

### *Information management*

Handling the growing amount of information is an enormous challenge for organizations. The rapidly increasing amount of information and information workers in organizations is leading to a need for an adapted vision, strategy and infrastructure.

In the domain of Information Management the Issuer offers various solutions relating to both content management and output management, enabling co-workers to have a centralized workspace for making available information and knowledge (in a collaborative way).

In this domain, the Issuer has strong partnerships with:

- Microsoft Office SharePoint (enterprise content management)
- Ektron CMS400 (web content management)
- Scriptura XBOS or Invenso XBIntegrator (output management)

In addition, the Issuer also offers its in-house developed solutions, AOF-DM and AODx.

### *Customer Relationship Management*

Customer Relationship Management (“CRM”) is a solution that helps an enterprise to manage customer relationships in an organized way. This is done by effectively describing these relationships in sufficient detail so that management, salespeople, customer service and even the customers directly can access information, match customer needs with product plans and offerings, remind customers of service requirements and know what other products a customer had purchased.

The Issuer’s CRM consultants bring the necessary experience and business knowledge to make it possible for a company to shift to, or strengthen, a customer-centric focus by implementing either the Issuer’s own developed eSmart solution or Microsoft Dynamics CRM, a single, fully integrated CRM system.

### *eBusiness*

eBusiness is a wide domain covering different types of solutions, all relating to different levels of communications via the Internet. eBusiness differs depending upon the type of communication — including interaction, publishing and transaction — required by the client.

The Issuer offers solutions in the three following categories of eBusiness:

- eCommerce — facilitating sales via the Internet.
- eMarketing — creating websites in a quick and effortless way in a multi-brand, multi-product, multilanguage and multi-site environment.
- eGovernment helping public organizations in supporting workflows and administration about communication with clients and citizens.

### *iii) Vertical Software Applications*

Vertical Software Solutions provide business-critical software applications to specific vertical niches. The sectors which the Issuer presently serves are textile, wholesale, service, industry, healthcare and public.

The Issuer usually combines these solutions with one or more of its Enterprise Software Solutions to offer a more complete solution to the client. For example, the Issuer provides a CRM, Business Intelligence and eBusiness solution with its Real Applied Wholesale ERP to complete the offering for the client. In this way, Real offers a comprehensive solution to the client's entire systems needs. Finally, Real supports the client on an on-going, post-implementation basis through software maintenance and other service level agreements (SLA's).

The Vertical Software Solution sales typically include software license fees, be-spoke software development and set-up, implementation and training services and an annual software maintenance agreement or SLA. The software maintenance agreement is priced as a proportion of the software license fees normally in the 15%-18% range.

The Issuer offers its Vertical Software Solutions on a Software as a Service (SaaS) basis in selected cases. Under the SaaS model, the customer does not pay up-front software license fees but commits to a monthly or quarterly service fee including the license and maintenance agreement or SLA fees. In this model the client minimizes its upfront costs and can better predict and manage its costs of operating the system.

The most important solutions are discussed below.

#### *Enterprise Resource Planning (ERP)*

- Real applied wholesale — With “Real Applied Wholesale”, the Issuer focuses on the wholesale market segment. This strategic ERP solution integrates Supply Chain Management with stock management, logistics, warehouse management, CRM, e-commerce and business intelligence. The system is built upon a platform allowing for easy customer customization.
- RITM — RITM stands for “Real Interactive Textile Management” solution, developed together with leading textile manufacturers based upon best practices. RITM is a unique enterprise resource planning system enhancing the overall quality of textile manufacturing activities by (among others) reducing lead times, ensuring on-time delivery, eliminating quality problems and increasing manufacturing throughput.
- IBSY — IBSY is a private banking ERP sold essentially to private banks in Luxembourg. The system does not only support all the back office requirements of private banks, but has an extensive account management application allowing for high-level asset management for the banks' private customers.

#### *Enterprise Asset Management (EAM) — RIMSES*

RIMSES is a flexible and easy to use Computerized Maintenance Management System (CMMS), sold mainly to hospitals and manufacturing companies. RIMSES is ideal for supporting all in-house maintenance activities of equipment and for managing third-party out-sourced contracts and contractors. From individual equipment components to an entire plant, RIMSES gives the customer immediate access to the current state of maintenance for any of its equipment assets.

#### *Financial Accounting System (PAS) — FIMACS*

FIMACS is a complete financial management and accounting solution for production, service and distribution businesses, as well as the public market. FIMACS is sold stand-alone and in combination with RIMSES and RITM. An important advantage is the open design allowing easy integration with back office and third party systems.

#### *Clinical Trial Management — ECI*

ECI Trial Manager — EC1 is a Clinical Trial Management System (CTMS) sold mainly to pharmaceutical companies in Europe and the US. EC1 manages all scientific, administrative, financial and regulatory aspects throughout the different phases of the clinical study of pharmaceutical products in order to improve data accuracy and reduce study lead time while controlling study budget.

## 15. BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

### A. Board of directors — Executive management

#### *Board of directors*

#### *Composition of the board of directors*

Following the share capital increase on April 6, 2004 by The Gores Group, via its affiliate company Real Holdings, LLC, the latter became the Issuer's majority shareholder as set forth in Section 16. The present composition of the Issuer's board of directors still reflects the majority shareholder's strong involvement in the supervision of the business: 4 directors including the chairman appointed by Real Holdings, LLC, make up an 8-strong board of directors together with 3 independent directors and the managing director.

In January 2006, Gores Technology Ltd., Kusunacht Branch, represented by Ashley W. Abdo, was appointed as new managing director of the Issuer, succeeding Peter Op de Beeck BVBA, who acted as managing director from October 2004 until January 2006.

The table below gives an overview of the current members of the board of directors and their terms of office:

<u>Name</u>	<u>Executive or Non-Executive Director</u>	<u>Title</u>	<u>Start of Term</u>	<u>End of Term</u>
William B. Patton, Jr. . . . .	Non-executive	Director and Chairman	2004	2010
Gores Technology Ltd., Kusunacht Branch Represented by Ashley. W. Abdo . . . . .	Executive	Director and Managing Director	2006	2012
Viscount Etienne Davignon . . . . .	Non-executive	Independent Director	2004	2010
JPD Consult BVBA represented by Jean-Pierre Depaemelaere . . . . .	Non-executive	Independent Director	2004	2010
DR Associates BVBA, represented by Filip Roodhooft . . . . .	Non executive	Independent Director	2004	2010
Mark Stone . . . . .	Non-executive	Director	2005	2011
Joseph P. Page . . . . .	Non-executive	Director	2004	2010
Scott Honour . . . . .	Non-executive	Director	2005	2011

The business address of each of the directors is Prins Boudewijnlaan 26, 2550 Kontich, Belgium.

The board of directors confirms that Viscount Etienne Davignon, JPD Consult BVBA, represented by Jean-Pierre Depaemelaere and DR Associates BVBA, represented by Filip Roodhooft, all qualify as an independent director as they satisfy the relevant criteria set forth in the Issuer's corporate governance charter. With the appointment of independent directors of such high level and extensive business experience (as further indicated below), the board of directors has confirmed its commitment to sound corporate governance. The standards and quality of the independent directors ensure that the Issuer is committed to corporate governance. For further information of the Issuer's corporate governance policies and commitments, reference is made to the Issuer's Corporate Governance Charter.

The board of directors has relevant management expertise as shown briefly hereafter:

- *Viscount Etienne Davignon* has built an international career in business, politics and diplomacy at the highest level, and is uniquely qualified to provide independent and relevant advice to the business. As chairman of the appointment and remuneration committee, he effectively guides policy and oversight of executive management. Etienne Davignon is or was a director of the following companies during the last five years: Recticel NV, CMB, Suez-Tractebel, Accor, Sofina, Gilead and Cumerio.
- *Filip Roodhooft*, permanent representative of DR Associates BVBA, is an independent director and chairman of the audit committee. His academic qualifications and his chairs at K.U.L. and Vlerick Leuven Ghent Management School in the field of accountancy as well as his chairmanship of the examination board of the Belgian Institute of Accountants and Tax Consultants make him particularly well suited to this task.
- *Jean-Pierre Depaemelaere*, permanent representative of JPD Consult BVBA, sits on the audit committee and the appointment & remuneration committee as an independent director. His specific experience in the field of human resources and general management (including as managing director of Distrigas and general director of corporate HR at Suez-Tractebel), gives him a prime position in

the devising of policy lines for the Group in the context of the audit committee and appointment & remuneration committee. Jean-Pierre Depaemelaere is or was a director of the following companies during the last five years: Suez-Tractebel, Electrabel, Distrigas, Fluxys, VEV/Voka and Vlaams Centrum voor Kwaliteitszorg VZW.

- *William B. Patton, Jr.* was nominated by The Gores Group. He is active in investment funds and was formerly a business leader of listed companies in the United States, including Unisys Corporation, a Fortune 500 business. Thanks to his long career, which has included considerable international and European involvement, the Issuer can benefit from his invaluable ideas in connection with strategy and human resources, in areas such as motivation and retention policy. William Patton is or was a director and/or president of the following companies during the last five years: Proxicom Inc., MigraTec Inc, Novatel, Pacific Capital, Siruset Inc. and Four Star Acquisitions. He also is a member of the board of trustees of the University of Missouri and was a member of the foundation board of the University of California — Irvine. He succeeded to Ashley Abdo as chairman of the board of directors of the Issuer and is member of the appointment & remuneration committee and of the corporate governance committee.
- *Ashley. W. Abdo*, permanent representative of Gores Technology Ltd. London, Kusunacht Branch. Mr. Abdo resides in Zurich, Switzerland. He is a member of Gores' operating due diligence and portfolio management team. Ashley Abdo has over 20 years experience in sales, sales management and executive management. He previously served as President and CEO of Aonix Corporation and President and CEO of Jamis Software Corporation (Gores portfolio companies).
- *Joseph P. Page* is a member of Gores' operating due diligence and portfolio management team. Joseph Page has extensive experience in various operating and finance roles. Prior to joining Gores, he was Senior Principal and Chief Operating Officer for Shelter Capital Partners a private investment fund. Previous to that he held various senior executive positions with several private and public companies controlled by MacAndrews & Forbes (M&F). While at M&F, he was Vice Chairman of Panavision, CFO of The Coleman Company and CFO of New World Communications. Prior to M&F, Joseph Page was a Partner at Price Waterhouse.
- *Scott M. Honour* is responsible for originating and structuring transactions and pursuing strategic initiatives at Gores. Prior to joining Gores in 2002, Scott Honour led a career as an investment banker with a focus on creating, structuring, financing and executing financial sponsor-led transactions. From 2001 to 2002, Mr. Honour served as a Managing Director at UBS Warburg, where he was responsible for relationships with technology-focused financial sponsors, including Gores, and created the firm's Transaction Development Group, which brought transaction ideas to financial sponsors. Prior to joining UBS Warburg, Scott Honour was an investment banker at Donaldson, Lufkin & Jenrette where he executed a variety of mergers and acquisitions, high yield financing, equity offering and restructuring assignments. He also served as a Vice President in DLJ's Merchant Banking Group from 1995 to 1997. Scott Honour currently is managing director at Gores Group LLC and serves as a director of Entrasys, WireOne, GlobalTel\*Link Corp., Proxicom and Yapstone.
- *Mark R. Stone* has responsibility for Gores worldwide operations group, including oversight of all Gores portfolio companies and operational due diligence. He joined Gores in 2005. Mark Stone most recently served as CEO of Sentient Jet, the pioneer and leading provider of private jet membership services. Before joining Sentient Jet, Mark Stone was President and CEO of Narus, Inc., a global provider of telecommunication software infrastructure to world-class carriers and next-generation service providers. Mr. Stone came to Narus, after serving as President and CEO, of Sentex Systems, Inc., an international security and access control manufacturing company based in Los Angeles. Prior to Sentex, Mark Stone was Corporate General Manager of TicketMaster/CitySearch, Inc (Nasdaq: TMCS), a multi-billion dollar new media organization. Previous to TicketMaster/CitySearch, Mr. Stone spent five plus years with the Boston Consulting Group, as a member of their high technology and industrial goods practices. He served in BCGs Boston, London, Los Angeles and Seoul, Korea offices. He currently serves as managing director CEO of Proxicom Holdings and WireOne Holdings and is or was member of the board of directors of the following companies: Avure Holdings, Avure Technology Holding, Brand-Rex Holdings, Enterasys Networks, Global Tel\*Link Corp., Gtel Holdings, Gores Capital Advisors, Gores ENT Holding, Inmac Holding, Proxicom, SER Holding, Somero Holding, Somero Ent. And WireOne Communications.

### *Corporate governance and IAS 24 statement*

These members of the board all have had and currently still occupy mandates with other companies and/or partnerships but, while these mandates offer the Issuer additional experience, none of these mandates are conflicting with the Issuer's interest or the execution of the mandates these directors hold with the Issuer. Therefore, the list of other mandates is not considered material by the board of directors and will not be disclosed.

Furthermore, it should be noted that that at the date of this Prospectus, none of the directors or, in case of corporate entities being director, none of their permanent representatives, of the Issuer has, for at least the previous five years:

- any convictions in relation to fraudulent offences;
- held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or,
- has ever been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

Finally, except for the service agreement with the managing director, the Issuer has currently not entered into services agreements providing for benefits upon termination with any of the members of the board of directors.

### *Executive management*

#### *General*

The board of directors has appointed the executive management of the Issuer. The terms of reference of the executive management have been determined by the board of directors in close consultation with the CEO.

As further set forth in Section 14, the business of the Issuer and its subsidiaries are organized in different segments and divisions.

The CEO oversees the different segments and divisions. Together with the CEO, the heads of the divisions, the CFO and the "secretary general" constitute the executive management of the Issuer. The executive management includes all executive directors of the Issuer. The executive management does not constitute an executive committee ("*directiecomite*" / "*comite de direction*") within the meaning of Article 524bis of the Belgian Company Code.

### *Composition of the executive management*

As at the date of this Prospectus, executive management consists of 7 members, as further set forth hereinafter:

<u>Name</u>	<u>Title</u>	<u>Professional address</u>
Gores Technology Ltd., Kusnacht Branch. Represented by Ashley W. Abdo.....	Chief Executive and Officer Managing Director	Alte Landstrasse 39a, 8700 Kusnacht Switzerland
Jos Nijns .....	Chief Financial Controller	Prins Boudewijnlaan 26, 2550 Kontich Belgium
Bruno Segers.....	Chief Operating Officer	Prins Boudewijnlaan 26, 2550 Kontich Belgium
Paul De Schrijver .....	Vice President International Operations & Business Development	Prins Boudewijnlaan 26, 2550 Kontich Belgium
Thierry de Vries .....	Secretary General	Prins Boudewijnlaan 26, 2550 Kontich Belgium
Zander Colaers .....	Vice President Client Delivery	Prins Boudewijnlaan 26, 2550 Kontich Belgium
Werner Pruehs .....	Vice President Operations & Quality	Prins Boudewijnlaan 26, 2550 Kontich Belgium

Please find below brief resumes of the members of the executive management:

- *Ashley. W. Abdo*, permanent representative of Gores Technology Ltd. London, Kusnacht Branch — CEO, Ashley Abdo resides in Zurich, Switzerland. He is a member of Gores' operating due diligence and portfolio management team. He has over 20 years experience in sales, sales management and executive management. He previously served as President and CEO of Aonix Corporation and President and CEO of Jamis Software Corporation. He has extensive IT experience along with a successful track record of turning around and growing companies. He has successfully orchestrated the acquisition and assimilation of numerous companies during both his time with the Gores Group and as CEO. He joined the Issuer in April 2004 as chairman of the board and subsequently became the CEO in January 2006.
- *Jos Nijns* — Chief Financial Officer (CFO). On September 6, 2004, Jos Nijns was appointed as Chief Financial Officer of the Group. Since 1982, he gained a broad finance experience in reputable multinationals. During the last seven years, he acquired in depth knowledge of the ICT sector at EDS. In the period 1982-1996 he developed extensive experience in different financial aspects with international companies such as Elf Aquitaine Belgium, Estee Lauder, Upjohn and Schindler Europe. From 1997 on, Jos Nijns performed various executive financial functions at EDS, one of the leading global ICT companies. In 2002, he was appointed Finance Director Benelux.
- *Bruno Segers* — Chief Operating Officer (COO). Bruno Segers is the former Country General Manager of Microsoft BeLux where he grew the business from €150 million to €300 million over 6 years. More than 25 years ago he started his career as a sales representative at Digital, later he was in charge of the startup of Oracle and Lotus in Belgium. After the acquisition of Lotus by IBM in 1995 he occupied several operational management positions to grow sales in the Benelux, Nordic and Eastern Europe. He is active in the local IT sector, and as such, maintains his board mandates in Aventiv, City Live and IBBT, a research institute of the Flemish government. He has joined the executive management of the Issuer on July 13, 2007.
- *Paul De Schrijver* — Vice President International Operations. Paul De Schrijver joined the Issuer on March 1, 2005 as VP International Operations. He leads the Group's international operations, strategic planning, acquisitions and joint ventures. He started his career in 1986 as an attorney at Allen & Overy specialized in corporate restructurings, joint ventures and mergers & acquisitions. From 1992 on, he became involved in the management and restructuring of Turbodata. When Turbodata was acquired by ADP Inc. in 1996 he became responsible for Business Development in the newly founded European headquarters of ADP's automotive division. His last role with ADP was Vice President based in Paris, the Corporate Development of ADP in Europe, leading many acquisition and divestiture projects for its four divisions throughout Europe.

- *Thierry de Vries* — Secretary General. Thierry de Vries joined the Group in December 2001. He has twenty years experience in domestic and foreign law firms as a litigator and business lawyer. The secretary general has been appointed Company Secretary by the board of directors, and is responsible for the smooth running of the board of directors and its sub-committees. He oversees the implementation of the principles of corporate governance and ethics within the business and assists executive management with internal organization, contacts with the board of directors and operational support. He provides legal support for the Group’s activities and is in charge of relationships with regulators and stock exchange and external communications. He is also chairman of the works council.
- *Zander Colaers* — Vice President Client Delivery. Zander Colaers joined the Issuer on July 11, 2005 as Unit Manager of the Java Technology Competence Center. As of March 2006, he was promoted to Vice President Client Delivery. Zander Colaers built up a broad experience in (re) structuring, consolidating and integrating company activities. He has Master degrees in Computer Sciences and Transport & Logistics and followed the Advanced Management Program at the “Vlerick School for management”. He worked for a long period in the Netherlands for one of the Top 3 ICT companies: PinkRocade. In this company he had different assignments for improving company activities and in different general management roles, including the lead for several successful transformation processes. Zander Colaers has experience with a broad base of ICT capabilities including ICT consultancy, application development and maintenance and infrastructure services.
- *Werner Pruehs* — Vice President Operations & Quality. Before joining the Issuer in 2006 where he was heading the Retail Development and Delivery organization he was the Group Development Director at Anker Systems plc. Anker was a pan European provider of total solutions for the retail industry with subsidiaries in eleven European countries. Werner Pruehs oversaw a centrally managed international development organization with teams in 4 different countries. Werner has over 20 years of international experience in development and project management. He also developed process control and measurement systems for submarines and offshore oil production platforms before he joined Omron Cooperation, a multinational enterprise based in Japan.

At the date of this Prospectus, none of the members of the executive management of the Issuer or, in case of corporate entities being executive managers, none of their permanent representatives, has for at least the previous 5 years:

- any convictions in relation to fraudulent offences;
- held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or,
- has ever been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

## **B. Remuneration and Benefits**

The compensation paid to the members of the board of directors of the Issuer for the performance of their duties is determined by the General Meeting of Shareholders. The appointment & remuneration committee makes recommendations to the board of directors of the Issuer regarding the remuneration policy, guidelines and objectives of the directors and executive officers of the Issuer.

### *Directors*

#### *Direct remuneration*

A director’s mandate may be terminated “ad nutum” (at any time), without any form of compensation. The remuneration package of the non-executive directors is subject to approval by the general shareholders’ meeting.

According to the “Belgian Corporate Governance Code” (“Code Lippens”), the remuneration of non-executive directors should take into account their responsibilities and time commitment, and non-

executive directors should not be entitled to performance related remuneration, such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits. During fiscal year 2006 no remuneration was paid to any director for additional services rendered. As a general rule, the Issuer does not grant any benefits of a performance-related nature (such as bonuses, options or pension schemes) to the non-executive directors, whether independent directors or other directors. This principle corresponds with the recommendation in that respect in the “Belgian Corporate Governance Code” (“Code Lippens”).

However, contrary to the Code, the board of directors believes that its non-executive directors should not be remunerated for their mandate, except to the extent that they are an independent director. Accordingly, and as per the recommendation of the appointment & remuneration committee, the compensation consists of the following elements:

- a fixed annual payment per (non-executive) director amounting to €11,800;
- a double compensation for the chairman of the board of directors, provided that he is an independent director, i.e. €23,600 (this was not applicable in 2006);
- a fixed remuneration of €1,200 per meeting of the board of directors and/or sub-committee in which the director concerned participates (reduced to €600 in case of a meeting by teleconference);
- for additional meetings required by the needs of the Issuer, the same variable compensation will be paid.

The non-executive directors’ remuneration is calculated per calendar year and paid every half-year. The basis for the calculation of directors’ remuneration is the directors’ liability, for which a minimum fixed level of remuneration is established. Additionally, active efforts on the part of directors are acknowledged by allocating a fixed remuneration per meeting attended. The calculation is based on an average of 11 meetings of the board of directors and its sub-committees (6 board meetings, i.e. 1 per quarter, 1 strategic meeting and 1 budget meeting) and an average of 4 committee meetings (either audit committee or appointment and remuneration committee), plus 1 potential additional meeting to deal with additional issues.

The general shareholders’ meeting of March 28, 2006 resolved to provide €174,600 for independent directors’ remuneration for the fiscal year ending December 31, 2006. The actual cost during the fiscal year 2006 amounted to €141,600 (see table below).

The general shareholders’ meeting of March 29, 2007 resolved to provide €174,600 for independent directors’ remuneration for the fiscal year ending December 31, 2007.

In 2006, the Issuer paid the remaining fees relating to the fiscal year 2005, for a total amount of €225,633.33, to its non-executive directors. The overall gross remuneration relating to the fiscal year 2006 for the executive and non-executive directors, including fixed, variable and exceptional remuneration, amounted to €889,156.15 of which €753,789.49 was paid in 2006 and the remainder will be paid in 2007. The payments can be allocated as follows:

**Non-Executive Directors**

**Independent Directors**

JPD Consult BVBA .....	€61,000
DR Associates BVBA .....	€45,400
Viscount Etienne Davignon .....	€35,200
Other Directors: not applicable	

## Executive Directors

Managing Director Peter Op de Beeck BVBA, represented by Peter Op de Beeck. . . . .	€356,158.33
The management agreement with Peter Op de Beeck BVBA was terminated on 8 January 2006. The company paid the fee indicated above in execution of the termination and settlement agreement with Peter Op de Beeck BVBA.	
Managing Director Gores Technology Kusnacht Branch, represented by Ashley W. Abdo . . .	€391,397.82
Gores Technology Ltd, Kusnacht Branch succeeded on January 8th, 2006, Peter Op de Beeck BVBA in its capacity of managing director and CEO. The management service agreement between Gores Technology, Ltd, Kusnacht Branch and the company, contains a fixed annual remuneration of 4400,000, payable in 12 equal instalments, and an additional fee payment of 4275,000 upon achievement of specific targets, determined by the board of directors. The fixed remuneration includes all expenses, except for costs pertaining to telephone, restaurant, lodging, business travel expenses, which will be reimbursed subject to supporting documentation.	

### *Expenses*

In addition to the above remuneration, which applies only to independent directors or executive directors, all directors are entitled to a reimbursement of out-of-pocket expenses actually incurred (e.g. travel or accommodation expenses in connection with airfare, special communication costs, etc.) subject to provision of supporting documentation.

During the fiscal year 2006, a total of €118,290.11 expense notes were reimbursed to directors. The Issuer additionally provides lodging to the CEO-Managing Director in the vicinity of the Issuer headquarters, which entailed a total cost in 2006 of €24,000.

### *Loans*

The Issuer has not made any loans to the members of its board of directors.

### *Executive management*

The remuneration of the executive management is determined by the board of directors upon recommendation by the appointment & remuneration committee, upon recommendation by the CEO.

The remuneration of the executive management is designed to attract, retain and motivate executive managers. The level and structure of the remuneration are subject to an annual review by the appointment and remuneration committee to take into account market practice. The annual review does not provide for mechanisms for automatic adjustments, except as legally required.

The remuneration of the members of the executive management consists of the following elements:

- Each member of the executive management is entitled to a basic fixed remuneration designed to fit responsibilities, relevant experience and competences in line with market rates for equivalent positions and a variable remuneration which is determined by the board of directors and is in function of company targets and personal management objectives.
- Each member of the executive management may be offered the possibility to participate in a stock-based incentive scheme, in accordance with the recommendations set by the appointment and remuneration committee, after recommendation by the CEO to such committee.

In 2006, the Issuer paid the remainder of bonuses over 2005, for a total amount of €325,750. The total remuneration relating to fiscal year 2006 of the executive management team, apart from the CEO (see above), and consisting of the CFO, Operations Manager Retail, Vice President Sales & Marketing, Vice President Advanced Technology Solutions, Vice President International Operations and Secretary General amounted to €1,456,765.22. From this amount, €411,280.02 was variable and is payable as result related bonuses for 2006, of which 89,948.02 was paid in 2006 and the remainder will be paid in 2007.

These amounts are gross amounts exclusive social security contribution for the Issuer and all affiliated companies.

### *Shareholding share options scheme*

As at the date of this Prospectus, no shares of the Issuer were held by the members of the board of directors or executive management of the Issuer, either independent directors or other directors. The Issuer intends to issue stock-options to some members of its senior management and some of its executives as part of its stock-option plan Warrants 2007.

None of the directors, whether independent directors or other directors, nor any member of the executive management currently has share options or warrants in the Issuer.

### *Loans*

The Issuer has not made any loans to the members of its executive management.

## **C. Board Practices — Term of Office of Directors and Executive Management**

### *Board of directors*

#### *General provisions — terms of reference*

In accordance with Belgian Company Law, the Issuer is managed by a board of directors. The board of directors acts as a collegial body, and has the broadest powers to manage and represent the Issuer, except to the extent provided otherwise by applicable law or the Issuer's Articles of Association.

The Issuer's board of directors has various exclusive powers, including the power to appoint and dismiss the chief executive officer or CEO, a function which is assumed by the managing director. It determines the Group's structure and strategy, and approves significant and long-term agreements, the budget and investment plans. In these areas, the board of directors is assisted by the Issuer's management, represented by the CEO. The board of directors supervises the Issuer's operations and its accounts, both directly and via specialist committees. The board of directors also resolves upon the Issuer's commercial policy and conducts important negotiations, for example with partners, takeover prospects or creditors. The board of directors has entrusted the CEO with day-to-day management of the Issuer. The board of directors is also entitled to assign special powers of attorney to directors or other persons such as senior executive officers. The board of directors accounts for its actions to the Issuer's shareholders at the annual general shareholders' meeting, which, in accordance with the Issuer's Articles of Association, is held on the last Tuesday of March.

According to the Issuer's Articles of Association, the Issuer's board of directors is composed of at least 5 members of whom at least 2 members are independent. The Issuer's board of directors is currently composed of 8 members. In accordance with the so-called "Belgian Corporate Governance Code" ("Code Lippens"), at least 3 directors are independent directors and meet the criteria set forth in Article 524 of the Belgian Company Code. The board of directors of the Issuer requires that its members have the highest professional and personal ethics and values, consistent with the Issuer's values and standards. They should have broad experience and should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience.

The directors of the Issuer are appointed by the general shareholders' meeting for a maximum term of 6 years. Their term of office comes to an end after the annual general shareholders' meeting in the final year of their term. Each director can be dismissed at any time by the general shareholders' meeting, and can resign at any time by giving notice to the board of directors. Outgoing directors can be re-appointed. In accordance with Belgian Company Law, if the mandate of a director becomes vacant, the remaining directors have the right to temporarily appoint a new director to fill the vacancy until the first general shareholders' meeting after the mandate became vacant. The new director completes the term of the director whose mandate became vacant.

The composition of the board of directors is also further explained in this Section, below.

In 2006, the board of directors of the Issuer met 22 times, and dealt with the following topics:

- Composition of the board and reorganization of the daily management of the Issuer;
- CEO Management Agreement and compensation, executive management targets and incentive plans;
- Preparation and approval of the annual report 2005 and special reports of the board of directors; 2006 budget;
- Annual, half-year and quarterly results;
- Press releases and trading up-date about the results;

- Shareholders' meeting of March 28, 2006;
- Business development, M&A and strategic developments;
- Refinancing and cash planning;
- Debt to equity conversion and preparation and approval of special reports in that respect;
- Credit Suisse credit facility;
- Follow-up of pending litigation and the evaluation and approval of settlement agreements;
- Review of reports of board committees (audit committee; remuneration committee; financing committee)
- Preparation of extraordinary shareholders' meeting of September 29, 2006.

The Issuer's Corporate Governance Charter contains rules and procedures relating to the nomination, induction and evaluation of directors. The Charter also contains specific guidelines with respect to the conduct of the meetings and the individual conduct of directors. The Corporate Governance Charter is available on the Issuer's websites.

#### *Chairman*

The board of directors appoints a chairman amongst the non-executive directors. The CEO cannot be the chairman. The chairman of the board of directors is responsible for the leadership of the board of directors. The chairman should take the necessary measures to develop a climate of trust within the board of directors, contributing to open discussion, constructive dissent and support the decisions of the board of directors. The chairman should promote effective interaction between the board and the executive management. The chairman should establish a close relationship with the CEO, providing support and advice, whilst fully respecting the executive responsibilities of the CEO. The chairman has additional specific tasks. These are further described in the terms of reference of the board of directors as set forth in the Issuer's Corporate Governance Charter.

#### *Independent directors*

As to independent directors, a director can only be considered independent if he meets at least the criteria set forth in Article 524 of the Belgian Company Code, which reads as follows:

*During a term of 2 years prior to his election, an independent director should not have exercised the mandate or function of director, manager, executive committee member, day-to-day manager or executive in the Issuer or an affiliate of the Issuer. This criterion does not apply to the re-election of an independent director.*

*An independent director does not own any corporate interest that represents 10% or more of the Issuer's share capital, the corporate funds or of a category of shares of the Issuer. If the director has corporate rights which represent less than 10% then (i) such rights, taken together with the rights in the same company held by companies over which such director has control, may not represent 10% or more of the share capital, the corporate funds or a category of shares of the Issuer, or (ii) the disposal of these shares, or the exercise of the rights attached thereto, may not be subject to agreements or unilateral commitments entered into by him.*

*The director is not the spouse of, or is not the unmarried legal partner of, or is not a relative (via birth or marriage) in the second degree of a person who (i) is a director, manager, executive committee member, day-to-day manager or executive in the Issuer or an affiliate of the Issuer, or (ii) has a financial interest as set out above.*

*The director does not have a relationship with the Issuer that is of a nature to prejudice his independency. The board of directors of the Issuer will consider a director independent for the purpose of this criteria if the director is free from any business, close family relationship with the Issuer, its controlling shareholder, or the management, that creates a conflict of interest such as to affect the director's independent judgment.*

Furthermore, the Issuer's Articles of Association have defined an independent director as a person who:

- is not an employee or consultant of the Issuer or its subsidiaries;

- holds less than 5% of the Issuer's shares and has no other relationship with the Issuer that, in the view of the general shareholders' meeting, might affect his or her independency in the exercise of his or her mandate.

The board of directors discloses in its annual report which directors it considers independent directors. Currently Viscount Etienne Davignon, JPD Consult BVBA and DR Associates are independent directors.

### *Executive management*

#### *General provisions — terms of reference*

The Group's day-to-day management has been delegated by the board of directors to the CEO, who is therefore Managing Director of the Issuer. He is appointed by, directly supervised by and can be removed by the Issuer's board of directors.

The board has not set up an executive management committee, of the type referred to in Article 524bis of the Belgian Company Code.

The "Managing Director" represents the Issuer, in accordance with Article 19,§2 of the Issuer's Articles of Association: "*Without prejudice to the general powers of the board of directors to act jointly to represent the Issuer, the Issuer shall be validly represented in transactions with third parties by the Managing Director*".

The Managing Director-CEO has the following general responsibilities:

- He is responsible vis-a-vis the board of directors for the management of the Issuer and the implementation of the decisions of the board of directors within the strategy, planning, values and budgets approved by the board of directors.
- He heads and oversees the different divisions of the Issuer and reports to the board of directors on their activities.
- He is responsible for the development of proposals for the board of directors relating to strategy, planning, finances, operations, human resources and budgets, and such other matters that are to be dealt with at the level of the board of directors.

The CEO has certain specific tasks. The mission and specific objectives of the CEO are set out in the service contract between the Managing Director-CEO<sup>1</sup> and the Issuer.

They are also further described in the terms of reference of the executive management, as set forth in the Issuer's Corporate Governance Charter. The objectives are determined by the board of directors in consultation with the CEO, and include measurable objectives on an annual basis. They relate directly to the Issuer's business operations and strategy, in the short and medium term. As this information is very business

<sup>1</sup> The relevant provisions of the Managing Director-CEO's contract read as follows:

1. The Issuer undertakes to entrust the manager with the general daily management of the Issuer (the "Services"). The manager acknowledges that the scope of its daily management powers, including the external power of representation attached thereto will be restricted from time to time by the authority matrix as set forth by the board of directors of the Issuer, in which case the manager shall strictly adhere to these restrictions.

Whenever needed, the Issuer will appoint the Manager as director of the Issuer's subsidiaries, branches and joint ventures.

2. The Manager undertakes:

- to assume full profit and loss responsibility for the daily management and global operations of the Issuer including, if applicable, the responsibilities resulting from his appointment as President of the Executive Committee (in the event where such committee would be installed by the board of directors within the Issuer);
- to have the Services discharged exclusively by Mr Ashley W. Abdo (who will act as permanent representative of the Manager for purposes of performing the corporate mandates of the Manager within the Issuer) on a full-time basis during at least 11 months per calendar year;
- to perform the Services in the best interest of the Issuer and its stakeholders (including shareholders, employees, customers and suppliers), taking into account the public share ownership in the Issuer and the fact that the Issuer is listed on the stock exchange;
- to perform the Services to the best of its abilities, in a loyal manner and in good faith;
- to comply with the corporate governance guidelines that shall be issued by the Issuer and to discharge the Services subject to regular consultation with, reporting to and supervision by the board of directors of the Issuer;
- to communicate to the Board all information which is pertinent for the performance of the Services and the Issuer's business in general.

related and can constitute competitive sensitive information, the board of directors has opted not to discuss it any further in this Prospectus.

In the execution of his function, the CEO is assisted by some colleagues who report directly to him. Each of these managers has a specific operational function, either at group or divisional level, or a staff function.

*Employment and service contracts of executive management*

All members of the executive management, except for the Managing Director-CEO Gores Technology Ltd. London, Kusunacht Branch represented by Ashley Abdo, and Werner Pruehs Consulting represented by Werner Pruehs, are engaged on the basis of an employment contract. The employment contracts are generally for an indefinite term, with a trial period. The employment contracts may be terminated at any time by the Issuer, subject to a contractual notice period. The employment contracts include strict (derogatory) non-competition undertakings for twelve months, as well as confidentiality and IP transfer undertakings.

Gores Technology Ltd. London, Kusunacht Branch is engaged as Managing Director-CEO on the basis of a service agreement. The service contract can be terminated at any time, subject to a 3 months notice period or, in case of a change of control, immediately. The service contract equally imposes strict non-competition and confidentiality obligations on the manager. Werner Pruehs Consulting is engaged as VP Operations & Quality on the basis of a service agreement. The service contract can be terminated at any time, subject to a 3 months notice period or, in case of a change of control, immediately. The service contract equally imposes strict non-competition and confidentiality obligations on the manager.

*Board committees*

*General*

The board of directors can set up specialized committees to analyze specific issues and advise on those issues. The committees are advisory bodies only and the decision-making remains within the collegial responsibility of the board of directors. The board of directors determines the terms of reference of each committee with respect to the organization, procedures, policies and activities of the committees.

The board of directors has set up two permanent committees among its members: the audit committee and the appointment and remuneration committee. Furthermore, the board of directors has constituted committees to review specific issues: (i) the committee of independent directors (ii) the Corporate Governance committee and (iii) the financing committee.

*Audit committee*

The audit committee currently consists of:

<u>Name</u>	<u>Executive or Non-Executive Director</u>
DR Associates BVBA, represented by Filip Roodhooft, chairman . . . . .	Non-executive/Independent
JPD Consult BVBA, represented by Jean-Pierre Depaemelaere . . . . .	Non-executive/Independent
Joseph Page . . . . .	Non-executive

The CFO and the managing director are invited to the committee’s meetings. The audit committee usually also requested the Issuer’s Auditor to attend its meetings.

The “Belgian Corporate Governance Code” (“Code Lippens”) recommends that the audit committee should be composed of at least 3 members. Furthermore, the audit committee should be exclusively composed of non-executive directors, a majority of whom should be independent directors. Like other sub committees within the board of directors, this committee should be composed of directors with the relevant experience, so as to ensure that with its business know-how it can oversee and steer the Issuer’s financial reporting, internal and external audit and risk management. Furthermore, the committee should appoint a chairman amongst its members. The chairman of the board of directors should not chair the committee.

The current composition of the audit committee fully meets said criteria:

- *Filip Roodhooft*, permanent representative of DR Associates BVBA, is an independent director and chairman of the committee. His academic qualifications and his chairs at K.U.L. and Vlerick Leuven Ghent Management School in the field of accountancy as well as his chairmanship of the

examination board of the Belgian Institute of Accountants and Tax Consultants make him particularly well suited for this mandate.

- *Jean-Pierre Depaemelaere*, permanent representative of JPD Consult BVBA, is an independent director. His extensive operational experience (including as managing director of Distrigas) puts him in a position to offer considerable benefit to the audit committee.
- *Joseph P. Page*, having served in various operating and finance roles and senior executive positions and being a former partner at Price Waterhouse, is a high valued member of this audit committee.

The role of the audit committee is to assist the board of directors in fulfilling its financial, legal and regulatory monitoring responsibilities. The committee reports regularly to the board of directors on the exercise of its duties, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken. The audit review and the reporting review should cover the Issuer and its subsidiaries as a whole.

The audit committee has specific tasks, which include the Issuer’s financial reporting, internal control and risk management, and the internal and external audit process. These are further described in the terms of reference of the audit committee, as set forth in the Issuer’s Corporate Governance Charter.

The audit committee met in aggregate 7 times in 2006 and dealt with the following topics:

- Annual and quarterly results;
- Press releases and trading up-date about the results;
- IAS-IFRS conversion, workgroup and implementation;
- Going concern issues;
- Annual report 2005;
- Cash flow planning;
- Goodwill impairment;
- Internal and external audit;
- Risk management and internal control arrangements;
- Pending litigation;
- Accounting policies and procedures: reliability and integrity of the financial accounts;
- Budget preparation and approval;
- Committee’s terms of reference in the framework of the Issuer’s corporate governance charter.

*Appointment and remuneration committee*

The “Belgian Corporate Governance Code” (“Code Lippens”) recommends that the appointment and remuneration committee should be composed of at least 3 members. Furthermore, the appointment and remuneration committee should be composed exclusively of non-executive directors, a majority of whom should be independent directors. The committee appoints a chairman amongst its members. The chairman of the board of directors can chair the committee, but should not chair the committee when dealing with the designation of his successor. The CEO should participate to the meetings of the committee when it deals with the remuneration of other executive managers.

The appointment and remuneration committee is currently composed of:

<u>Name</u>	<u>Executive or Non-Executive Director</u>
Viscount Etienne Davignon, chairman .....	Non-executive/Independent
JPD Consult BVBA, represented by Jean-Pierre Depaemelaere .....	Non-executive/Independent
William B. Patton Jr. ....	Non-executive

The committee always invites the managing director — CEO to attend the meeting unless in the event his position and/or remuneration is being discussed.

The composition of the appointment and remuneration committee is balanced and very well suited to undertake its tasks:

- *Viscount Etienne Davignon* who has built an international career in business, politics and diplomacy at the highest level, is uniquely qualified to provide independent and relevant advice to the business. As chairman of the appointment and remuneration committee, he effectively guides policy and the overseeing of the personnel and executive management.
- *Jean-Pierre Depaemelaere*, permanent representative of JPD Consult BVBA has a specific experience in the field of human resources (including as general director of corporate HR at Tractebel), which gives him a prime position in devising policy lines for the Group in the context of the appointment and remuneration committee.
- *William B. Patton, Jr.* has a seat on the committee as a director nominated by The Gores Group. He is active in investment funds and was formerly a business leader of listed companies in the United States of America, including Unisys Corporation, a Fortune 500 business. Thanks to his long career, which has included considerable international and European involvement, the Issuer can benefit from his ideas in connection with strategy and human resources.

Given the position of William B. Patton, Jr., who is not subject to the authority or supervision of The Gores Group, but who does give advice to The Gores Group, on a restricted basis, he cannot be described as entirely independent. Nevertheless, the board of directors believes that this committee has sufficient independency and neutrality to comply with the ratio of the “Belgian Corporate Governance Code” (“Code Lippens”). Furthermore, without compromising the quality of its work, the committee combines the tasks of both an appointment and a remuneration committee, which are listed as separate committees in the “Belgian Corporate Governance Code” (“Code Lippens”).

The role of the appointment and remuneration committee is (i) to make recommendations to the board of directors with regard to the election of directors and to ensure that the appointment and re-election process is organized objectively and professionally and (ii) to make proposals to the board of directors on the remuneration policy of non-executive directors and the resulting proposals to be submitted to the general shareholders’ meeting, and the remuneration policy of the executive management.

The committee has other specific tasks. These are further described in the terms of reference of the appointment and remuneration committee as set forth in the Issuer’s corporate governance charter.

The committee met in aggregate 7 times during fiscal year 2006 and dealt with the following subjects:

- CEO’s Management Agreement and compensation package; Executive management’s compensation;
- Directors’ remuneration;
- Resignation and appointment of successors for directors and the managing director;
- Implementation of the Issuer’s corporate governance charter.

In more general terms, the appointment and remuneration committee discusses the Group’s salary policy, the response to the (external) auditor’s recommendations, group insurance and the reimbursement of expenses. It also considers the appointment of independent directors and the allocation of functions within the board of directors. It makes proposals regarding the remuneration of directors. The CEO reports to the committee on the recruitment, dismissal and remuneration of his immediate reports. It evaluates possible bonuses for the executive management and makes recommendations to the board of directors in that respect. It can give advice on conflicts of interest.

#### *Financing committee*

The financing committee was created by decision of the Issuer’s board on September 18, 2005, and is currently composed of 2 directors and the secretary general of the Issuer:

<u>Name</u>	<u>Executive or Non-Executive Director</u>
Scott Honour, chairman . . . . .	Non-executive
JPD Consult BVBA, represented by Jean-Pierre Depaemelaere . . . . .	Non-executive/Independent

The financing committee focused on (i) raise of capital and (ii) assets valuations and possibilities for acquisitions and divestitures. It informed the board of directors on a regular basis about the status of fund raising and possible valuations for company assets.

It is the financing committee's sole responsibility to contact investment banks, hedge funds, private equity firms and other interested investors to execute a multi-tiered approach to raising funds and executing the Issuer's strategy. In addition, the committee determines the specific criteria and request for proposals required to obtain the necessary response from interested parties. The committee makes recommendations to the board of directors with respect to the appointment and mandate of investment bankers, the fund-raising process, corporate opportunities and fundraising strategies.

The financing committee met 11 times in 2006.

#### *Corporate governance*

In May 2005 the board of directors resolved to set up a committee consisting of two directors named by the board of directors and the Secretary General, in order to implement the "Belgian Corporate Governance Code" ("Code Lippens").

The corporate governance committee is composed of:

<u>Name</u>	<u>Executive or Non-Executive Director</u>
William B. Patton Jr., chairman . . . . .	Non-executive
DR Associates BVBA, represented by Filip Roodhooft . . . . .	Non-executive/Independent

The role of the corporate governance committee is to prepare the Issuer's Corporate Governance Charter and to effect its implementation and, afterwards, to administer and monitor compliance with the "Belgian Corporate Governance Code" ("Code Lippens"), the Issuer's Corporate Governance Charter, and the conflict of interest policy. The Issuer adopted a Corporate Governance Charter, an ethics guideline and an internal "Ethics Hotline". The Corporate Governance Charter is available on the Issuer's website [www.realsoftware.be](http://www.realsoftware.be).

The corporate governance committee shall require a statement from each director and officer not less frequently than once a year setting forth all business and other affiliations which relate in any way to the business and other activities of the Issuer.

#### **D. Employees**

##### *Number of employees and personnel movements*

On December 31, 2006, the Group employed 864 employees<sup>1</sup>. Since fiscal year 2004, the number of employees decreased as follows: on December 31, 2004, the Group employed 1,251 employees, on December 31, 2005, 1,155 employees and on December 31, 2006, 968 employees.

The distribution of personnel is currently as follows:

<u>Segment</u>	<u>No. of Personnel</u>
Advanced Technology Solutions . . . . .	635
Applied Solutions . . . . .	169
Sales & Marketing . . . . .	24
Staff & Support . . . . .	36
Total . . . . .	864

As a consequence of the financial difficulties of the Issuer, the hiring away by competitors and the lay-offs, turnover remained high in 2006. In 2006, the number of employees decreased with 291 because of the following reasons:

- Centralization of helpdesk activities of the Retail division in Oostkamp, resulting in the closure of the helpdesk divisions in France and the Netherlands;
- Strategic decision to sell all Retail activities to Centric BV;
- The end of notice period of certain employees who resigned during the last months of 2005;

<sup>1</sup> Please note that following the Axias acquisition (as further described below, under "General information — Recent developments") 58 new employees and consultants joined the Group.

- The ICT job market became scarce in 2006, because of a high demand for ICT professionals on the market and the ICT professionals currently employed by the Issuer were approached by several competitors and head-hunters.

The personnel evolution of the last three years can be explained on the one hand by the disposal of non-core businesses and activities within the Group, and on the other hand, it can be stated that the high turnover of the personnel is due to the following factors:

- Feeling of insecurity regarding the survival of the Issuer that started in 2004/2005 but continued until turnaround was completed in 2006;
- Strategic choices the Issuer made over the last three years regarding its products and services;
- New company culture based on meritocracy and accountability, introduced at the entry of the new reference shareholder;
- Centralization of supporting services (administration, personnel, sales & marketing).

#### *International overview*

Hereinafter is an overview of personnel divided per country.

<u>Country</u>	<u>No. of Personnel</u>
Belgium .....	483
France .....	306
Luxembourg .....	73
The Netherlands .....	2
Total .....	864

#### *Human resources*

The human resources department was focused on two main areas during the year 2006: strong emphasis on recruitment activities on the one hand and efforts to retain employees on the other hand. In total, 141 new employees were hired.

The following actions were taken in order to achieve this recruitment result:

- A dedicated recruitment team was hired to support the recruitment needs of the business. An efficient and transparent recruitment process was implemented;
- An “employee referral program” was successfully introduced;
- The Issuer was represented at various job fairs and involved in or represented on various traditional media and internet recruitment events and platforms.
- On the retention side, the Issuer started the following programs:
  - A leadership skills program, oriented towards those employees of the Issuer having people management responsibilities, was implemented;
  - Various events, such as social events, informal meetings, workshops, town hall meetings, were organized in order to increase both employee satisfaction and employee pride;
  - Communication became a central topic in 2006: by means of newsletters, department meetings and small team events, all employees were up-to-date on the status of the Issuer;
  - A strong emphasis was put on training and development opportunities.

Because of these efforts, attrition dropped to an industry-acceptable level from July 2006 onwards.

#### *Training and development*

The Issuer being a “Knowledge Company”, knowledge, capabilities and attitude of its employees are of differentiating importance to guarantee a qualitative and competitive service to its customers.

The Issuer invests in training and development to improve the employability of its employees and to offer added value to both employees and customers.

### *Accountability*

As of August 2005, the Issuer started to organize workshops to improve the Issuer results by stimulating the individual and organizational accountability. This cultural change encourages all the Issuer's associates to feel responsible and empowered to make the difference.

### *Leadership Skills and Coaching program*

Following the project to improve and stimulate the accountability and the responsibility of its employees, the Issuer started a Leadership Skills and Coaching program. With this program, the Issuer intends to ensure a qualitative and strong middle management for the future, in order to build a stronger bond between the employees and the Issuer, and increase the focus on deliverables and competence development.

### *CMMI — OSSP*

With regard to obtaining CMMI maturity level 2 in 2006 and future focus on level 3, a lot of effort has been put into providing the basic skill training of CMMI — OSSP for all employees.

In 2006, about 240 employees already attended basic training. About the same attendance was obtained in the specialized trainings for the participants of the pilot projects. In 2007, this will be continued to obtain a general knowledge on CMMI — OSSP within the Issuer.

### *Impact in 2006*

In 2006, the equivalent of 1,553 training days were organized and registered. More than 50% of these trainings were focused on improving technical knowledge, skills and competences.

### *Works council*

The Issuer pursues a positive collaboration with its respective collective bodies (“works council”, “committee for prevention and protection”, “union delegation”).

The works council met 12 times in 2006 and has dealt with a number of recurrent items on its agenda such as the meeting reports, the to-do lists, human resources management, car park and financial results (annual, half-year and quarterly) of the Issuer. Furthermore, a number of special items were discussed such as the re-orientation of the annual assessment reviews.

Besides the ordinary meetings, a number of extraordinary meetings were held to inform and consult regarding the change of managing director of the Issuer in January, the change of a vice president in April and the debt restructuring in September.

Finally, the works council annually organizes an “Economic and Financial Information Day” in the presence of the Issuer's statutory auditor, which took place on May 9, 2006.

## 16. PRINCIPAL SHAREHOLDERS

The Belgian Company Code and the Issuer's Articles of Association provide that every physical person or legal entity who acquires shares or other securities with voting rights in the Issuer, either representing the share capital or otherwise (such as warrants, stock options), must inform the Issuer and the Banking, Finance and Insurance Commission of the total number of shares owned by that person or entity, whenever, as a result of such an acquisition, the total voting rights associated with his securities pass a threshold of 3%, 5%, 10% or 15% (or every subsequent multiple of 5%) of the total number of voting rights associated with the securities of the Issuer at the moment of acquisition. This notification must be given within 2 working days after the acquisition which has led to one of the thresholds being exceeded. The same reporting obligation also exists if, as a result of the transfer of shares or other securities providing voting rights, a person or entity falls below one of these thresholds. If a person exceeds a threshold of 20% he must also state the policy on the basis of which the acquisition or transfer is taking place. The disclosure obligation applies firstly to persons trading individually. It also applies to persons associated with each other and persons acting in consultation with each other to acquire or transfer shares or other securities with voting rights. In such cases the securities held by the associated persons or the persons acting in mutual consultation must also be counted together in order to calculate the number of securities passing the applicable threshold. The table below provides for an overview of the Issuer's major shareholders on June 19, 2007 in accordance with the abovementioned legal requirements.

This overview is based on their most recent transparency declaration to the Issuer. This overview should be read together with the notes set forth below.

	<u>Type of Security</u>	<u>Number</u>	<u>% (*)</u>	<u>% (**)</u>	<u>Notes</u>
Real Holdings, LLC . . . . .	Shares	173,933,346	62.17%	59.07%	(2)
Fortis Investment Management NV . . . . .	Shares	14,961,143	5.35%	5.08%	(2)

### Notes:

- <sup>1</sup> The number of securities listed for each security-holder in the summary is based on the number of securities mentioned in their declarations as received by the Issuer up to the date of this document in accordance with applicable legislation and the Issuer's Articles of Association. After the date of any declaration, the Issuer does not receive confirmation from security-holders whether they still hold the number of securities indicated in their declaration. The percentage quoted alongside the securities in question was calculated on the basis of the total number of voting securities in the Issuer, whether or not these represent capital (within the meaning of the Act of March 2, 1989 on the publication of major stakes in listed companies and the regulation of public takeover bids). On the date of this Prospectus, the Issuer's share capital is represented by 283,474,447 shares.
  - <sup>2</sup> The data are based on the declarations received by the Issuer in May 2007.
- (\*) Non-diluted participation: calculated on the basis of the transparency denominator, the percentage of the current voting rights associated with the shares representing capital.
- (\*\*) Diluted participation: calculated on the basis of the transparency denominator, the percentage of the potential future voting rights associated with the shares representing capital.

### A. Voting Rights

All (current or future, through conversion of existing bonds or exercise of existing warrants) shares of the Issuer have the same rights and privileges. Specifically, each shareholder in the Issuer is entitled to one vote per share, without prejudice to specific restrictions of shareholders' voting rights set forth in the Issuer's Articles of Association and the Belgian Company Code. The voting right may be suspended under certain circumstances.

### B. Control

The Issuer is presently, indirectly, owned and controlled by The Gores Group through its affiliated company Real Holdings, LLC. The Gores Group became the Issuer's (indirect) majority shareholder following a capital increase on April 6, 2004. In the event a company has one or more controlling shareholder(s), the "Belgian Corporate Governance Code" ("Code Lippens") provides that the board of directors should make sure that the controlling shareholders make a considered use of their position and respect the rights and interests of minority shareholders.

The "Belgian Corporate Governance Code" ("Code Lippens") also provides that, in summary, there should be a rigorous and transparent procedure for an efficient appointment and re-election of directors and that nomination and selection criteria should exist. Moreover, the skills, knowledge and experience present and needed on a board of directors should be evaluated in the event of a new appointment of a member of the

board of directors. Any proposal for the appointment of a director by the shareholders' meeting should be accompanied by a recommendation from the board, based on the advice of a nomination committee. At least three members of the board of directors should be independent directors. Finally, the board of directors should set up special committees which advise the board of directors on specific issues, including an audit committee, a nomination committee and a remuneration committee.

The Issuer has largely complied with the principles and guidelines of the "Belgian Corporate Governance Code" ("Code Lippens"). For more information, reference is made to the Issuer's Corporate Governance Charter. Apart from, or co-existing with the principles and guidelines set forth in the "Belgian Corporate Governance Code" ("Code Lippens"), Belgian corporate law also provides for specific rules to be followed in order to ensure that the existence of a controlling position of a shareholder cannot be abused.

For instance, the board of directors is under the legal obligation to comply with the rules and procedures set forth in Article 523 of the Belgian Company Code relating to the situation whereby a director would have a direct or indirect interest of a financial nature that conflicts with a decision or transaction which falls within the authorities of the board of directors. Specifically, the director concerned must inform the other members of the Issuer's board of directors of a (potential) conflict of interest before the board of directors resolves. He should also inform the statutory auditor of the (potential) conflict of interest. The director concerned may not participate in the board of directors' deliberations or vote. The minutes of the meeting of the board of directors must describe the statement of the director having a potential conflict of interest, the justification thereof, the nature of the decision or the transaction and a justification thereof. Such minutes must also be included in the board of directors' annual report. Finally, the annual report and the statutory auditor's report must describe the financial implications of this decision or transaction.

Furthermore, Article 524 of the Belgian Company Code also provides for rules and procedures to be complied with in the event decisions are to be made or actions to be taken with regard to affiliated companies. Specifically, such decisions or transactions must first be submitted for evaluation by a committee of 3 independent directors. This committee is supported by one or more independent experts appointed by the committee. The committee must submit written advice to the board of directors, stating its grounds, concerning a number of points prescribed by law. After it has examined the report, the board of directors must deliberate and vote about the proposed decision or transaction. If the board of directors rejects the committee's advice, it must provide reasons for doing so in its minutes. The statutory auditor will assess the accuracy of the data set forth in the committee's advice and the board minutes. The conclusion of the committee, an extract from the board minutes and the statutory auditor's opinion must be included in the Issuer's annual report.

For more information with regard to situations in which the procedures set forth in Articles 523 and/or 524 of the Belgian Company Code have been followed, reference is made to Section 17 as well as to the Issuer's financial statements and annual reports.

## 17. RELATED PARTY TRANSACTIONS

The Issuer has adopted the International Financial Reporting Standards set out in Regulation (EC) n° 1606/2002 (“IFRS”) for its financial reporting. The IFRS reporting is included in Section 12 of its annual report 2006. Since “*related party transactions*” are included in the MRS -reporting, reference is made here to Section 12 of the annual report 2006, and more particularly note 36 thereof.

The Gores Group has two primary relationships with the Issuer. One, as a provider of consulting and management services, the other, as a financial partner participating in the debt structure of the Issuer.

As a provider of consulting and management services The Gores Group has two specific, arms-length agreements with the Issuer. One agreement is a consulting agreement implemented in 2004 for The Gores Group to provide consulting resources to assist the Issuer with its turn-around and on-going support of operations. This agreement is invoiced on a time and materials basis at “market rates” for services. The costs for these services have been significantly declining as the Issuer has completed its turn-around. These fees have been accrued but not paid. The outstanding balance as of March 31, 2007 was €2,640,000 including the first quarter 2007 fees of €150,000. The other services agreement is a management services agreement for the services of the managing director and CEO, Ashley Abdo. This agreement is paid monthly and is described in more details in the 2006 Annual Report.

In August 2006, The Gores Group held €44,800,000 senior secured debt, plus approximately €10,500,000 in accrued interest; a convertible bond of €15,000,000 and a loan of €700,000. In that same month, The Gores Group contributed the principal amounts of both senior secured (€44,800,000) and the convertible bond (€15,000,000) to the equity of the Issuer. Today related to financing and indebtedness, The Gores Group maintains the €700,000 loan plus interest accruing at 12% and the accrued interest related to the senior secured or €10,500,000.

For a more elaborate description of the related party transactions falling within the scope of Articles 523 and 524 of the Belgian Company Code, reference is furthermore made to Section 11 of the Issuer’s annual report 2006.

Articles 523 and 524 of the Belgian Company Code provide for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure applies to decisions and transactions between the Issuer and affiliates of the Issuer that are not a subsidiary of the Issuer. It also applies to decisions or transactions between any of the Issuer’s subsidiaries and such subsidiaries’ affiliates that are not a subsidiary of the Issuer.

Prior to any such decision or transaction, the board of directors of the Issuer must appoint a special committee consisting of 3 independent directors, assisted by one or more independent experts. This committee must assess the business advantages and disadvantages of the decision or transaction for the Issuer. It must quantify the financial consequences thereof and must determine whether or not the decision or transaction causes a disadvantage to the Issuer that is manifestly illegitimate in view of the Issuer’s policy. If the committee determines that the decisions or transaction is not manifestly illegitimate, but is of the opinion that it will prejudice the Issuer, it must clarify which advantages are taken into account in the decision or transaction to compensate the disadvantages. All these elements must be set forth in the committee’s advice. The board of directors must then take a decision, taking into account the opinion of the committee. Any deviation from the committee’s advice must be motivated. Directors who have a conflict of interest are not entitled to participate in the deliberation. The committee’s advice and the decision of the board of directors must be notified to the Issuer’s statutory auditor, who must render a separate opinion. The conclusion of the committee and excerpt of the minutes of the board of directors and the opinion of the statutory auditor must be included in the (statutory) annual report of the board of directors.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions, and transactions or decisions with a value less than 1% of the consolidated net assets of the Issuer.

Apart from the foregoing procedure, the Issuer must also report in its annual report substantial restrictions or burdens imposed or maintained by the controlling parent company during the previous financial year.

In 2004, the board of directors constituted a committee of 3 independent directors in order to give advice on issues that are to be considered as party related transactions or as potential conflicts of interest.

The committee consists of the following directors:

- Viscount Etienne Davignon;
- JPD Consult BVBA, permanently represented by Mr. Jean-Pierre Depaemelaere; and
- DR Associates BVBA, permanently represented by Mr. Filip Roodhooft.

They are all independent directors, since they meet the criteria set forth in Article 524, §4, 1-4 of the Belgian Company Code. Viscount Etienne Davignon accepted the chairmanship of the committee. The committee appointed the Issuer's Secretary General, as its secretary.

## 18. ASSOCIATED COMPANIES AND SHAREHOLDINGS

The Issuer currently is the parent company, directly or indirectly, of the following Belgian and foreign companies.

### REAL SOFTWARE NV

*Status per December 31, 2006*

*Stake held by*

*the Issuer Active entities*

99.98%	Airial Conseil SA — France
99.93%	Oriam SA — France — 100% Oriam Corporation — USA
99.95%	Real Solutions SA — Luxembourg
60%	Supply Chain Software NV — Belgium

*Dormant entities*

9.09%	Antwerp Digital Mainfort NV — Belgium	8.33%	Bakery 2B NV — Belgium
50%	Eco2B NV — Belgium		
99.99%	Real Software France SA — France		
100%	Real Software Nederland BV — The Netherlands		
100%	Real Services NV — Belgium	25%	Tradcom NV — Belgium
100%	Xenia NV — Belgium		

On July 3, 2007, the Issuer has acquired 100% of the shares of Axias NV (as further described under “General Information — Recent Developments”).

## 19. TAXATION IN BELGIUM

The following is a general description of certain Belgian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating thereto. Prospective purchasers should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Belgium of acquiring, holding and disposing of Notes and Shares and receiving payments of interest, dividend, principal and/or other amounts thereunder. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

### A. Belgian Withholding Tax on the Notes

The holding of the Notes in the NBB clearing and settlement system permits most types of investors (the “eligible investors”, see below) to collect interest on their Notes free of withholding tax, and to trade their Notes on a gross basis.

Participants in the X/N System must keep the Notes they hold for the account of “eligible investors” on so-called “X-accounts”, and those they hold for the account of “non-eligible Investors” on “N-accounts”. Payments of interest made through X-accounts are free of withholding tax; payments of interest made through N-accounts are subject to a withholding tax of 15%, which the NBB deducts from the payment and pays over to the tax authorities.

Transfers of Notes between an X-account and an N-account give rise to certain adjustment payments on account of withholding tax:

- A transfer from an N-account to an X-account gives rise to the payment by the transferor “non-eligible investor” to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- A transfer from an X-account to an N-account gives rise to the refund by the NBB to the transferee “non-eligible investor” of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- Transfers of Notes between two X-accounts do not give rise to any adjustment on account of withholding tax.
- Transfers of Notes between two N-accounts give rise to the payment by the transferor “non-eligible investor” to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date, and to the refund by the NBB to the transferee “non-eligible investor” of withholding tax on the same interest amount.

These adjustment mechanics are such that parties trading the Notes on the secondary market, irrespective of whether they are eligible or non-eligible Investors, are in a position to quote prices on a gross basis.

The main categories of “eligible investors” are as follows:

- Belgian resident corporate investors;
- Belgian pension funds;
- corporate investors who are non-residents of Belgium, whether they have a permanent establishment in Belgium or not;
- individuals who are non-residents of Belgium, unless their holding of the Notes is connected to a permanent establishment they have in Belgium; and
- non incorporated foreign collective investment schemes (such as “*beleggingsfondsen*”/“*fonds de placement*”) whose units are not publicly offered or marketed in Belgium.

The main categories of “non-eligible investors” are as follows:

- Belgian resident individuals;
- Belgian non profit organizations (other than pension funds); and
- non incorporated Belgian collective investment schemes (“*beleggingsfondsen*”/“*Ponds de placement*”) and similar foreign funds whose units are publicly offered or marketed in Belgium.

The above categories summarize the detailed definitions contained in Article 4 of the royal decree of May 26, 1994, to which investors should refer for a precise description of the relevant eligibility rules.

When opening an X-account for the holding of Notes or other Notes kept in the NBB clearing and settlement system, investors are required to provide the financial institution where this account is kept with a statement as to their tax status. This statement need not be periodically reissued. Different identification requirements apply to investors who are non-residents of Belgium and keep their Notes on a securities account through Euroclear or Clearstream, Luxembourg.

## **B. Capital Gains and Income Tax**

Holders of Notes who are residents of Belgium or hold the Notes through a fixed base or permanent establishment in Belgium will be subject to Belgian income tax on the interest collected thereunder.

For Belgian companies, capital gains in respect of the Notes, including the conversion gain realized upon conversion of the Notes into Shares (i.e. the difference between the accounting value of the Notes and the market value of the Shares received upon conversion) will be part of their taxable income.

Individual holders of Notes will not be subject to such Belgian income tax (save, as the case may be and as set out above, in the form of withholding tax).

## **C. Stamp Duties**

Secondary market trades in respect of the Notes will give rise to stamp duty if they are carried out through a financial institution established in Belgium. The amount of the stamp duty, however, is capped at €500 per transaction per party, and various types of investors (including credit institutions, insurance companies, pension funds and all non-residents of Belgium) are exempted from this stamp duty.

## **D. Tax on the Physical Delivery of Bearer Notes**

The physical delivery to investors (other than qualifying financial institutions) of Notes in definitive bearer form will be subject to a tax of 0.6%, if such delivery takes place in Belgium. Delivery of the Notes in the form of a global certificate into the X/N System will not give rise to that tax.

## **E. European Union Directive on Taxation of Savings Income**

Belgium has implemented the EC Council Directive 2003/48/EC on the taxation of savings income. Interest paid through a paying agent in Belgium to individual investors resident in another EU Member State or in certain third countries is subject to withholding tax at the rate of 15% until June 30, 2008, then 20% until June 30, 2011, and then 35%. This tax will not apply if the investor submits to the paying agent an appropriate certificate of the tax authorities of his jurisdiction of residence.

## 20. PLAN OF DISTRIBUTION

### A. Subscription

KBC Financial Products UK Ltd. the (“**Sole Bookrunner**”) has agreed to subscribe for the Notes at their issue price of 100% of their principal amount. The Issuer has also agreed to reimburse KBC Financial Products UK Ltd. for certain of its expenses incurred in connection with the management of the issue of the Notes. The Sole Bookrunner is entitled in certain circumstances to be released and discharged from its obligations prior to the closing of the issue of the Notes.

### B. Selling Restrictions

#### *United States*

Neither the Notes nor the Shares have been or will be registered under the Securities Act and neither may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations there under.

The Sole Bookrunner has agreed that it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### *United Kingdom*

The Sole Bookrunner has agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### C. Lock-up

For a period of 90 days from July 6, 2007, the Issuer shall not, and the Issuer shall procure that none of its respective Subsidiaries or affiliates over which it exercises management or voting control will:

- (1) Shares: issue, offer, sell, transfer, pledge or otherwise dispose of any Shares, whether directly or indirectly, or enter into any agreement to do so;
- (2) Rights to Shares: issue or offer any other securities which confer a right to Shares (or any interest therein) or enter into any agreement to do so;
- (3) Economic ownership of Shares: enter into any agreement that transfers or might transfer any of the economic consequences of ownership of the Shares (including, but not limited to, stock lending, derivative or hedging transactions); or
- (4) publicly announce any intention to do any one or more things described in (1) to (3) above,

*other than, in each case:*

- with the prior consent of the Sole Bookrunner (which consent will not be unreasonably withheld or delayed);

- grants of stock options to employees, directors or executives in respect of the Shares pursuant to the terms of any plan or arrangement, or issuance of Shares pursuant to the exercise of such options;
- to satisfy the Issuer's obligations arising upon conversion of any Note in accordance with the Conditions; or
- the issue of Shares to shareholders electing to receive annual dividends in the form of Shares.

## **21. GENERAL INFORMATION**

### **A. Authorization for the Issuance**

At the Issuer's extraordinary general shareholders' meeting of June 19, 2007, the powers of its board of directors in the framework of the authorized capital have been renewed, and the board of directors has been authorized to increase the Issuer's share capital, in one or more transactions, up to a maximum amount equal to €17,573,865.69. The powers of the board of directors in the framework of this authorized capital can be exercised during a term of 5 years as of the date of publication in the annexes to the Belgian Official Gazette of the renewal decision, i.e. June 29, 2007.

In the framework of the authorized capital, the board of directors is authorized to issue shares, with or without voting rights, warrants or convertible bonds. The powers of the board of directors do not only relate to capital increases in cash subscribed to by existing shareholders exercising their preferential subscription right, but also to capital increases through contribution in kind or in cash with limitation or cancellation of the preferential subscription right of the existing shareholders, even in favour of persons who are not an employee of the Issuer or its subsidiaries.

To date the board of directors has used the renewed authorization two times, when issuing the Warrants 2007 and increasing the share capital in the course of the Axias acquisition (as further described below, under "*Recent Developments*").

The issuance of the Notes was decided upon by the board of directors of the Issuer on July 5, 2007, pursuant to the aforementioned powers.

### **B. Listing**

Application has been made to admit the Notes to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

### **C. Litigation**

Except as disclosed in this Prospectus, the Issuer is not involved in any litigation or arbitration proceedings relating to claims which are material in the context of the issuance of the Notes and, so far as the Issuer is aware, no such litigation or arbitration proceedings are pending or threatened.

### **D. Independent Auditors**

Deloitte Bedrijfsrevisoren BV CVBA, independent auditors, whose registered office is at Louizalaan 240, 1050 Brussels, have audited and rendered audit reports on, the financial statements of the Issuer for each of the years ended December 31, 2006, 2005 and 2004, partly quoted hereunder<sup>1</sup> and subject to the qualifications mentioned therein.

*On the financial statements for the year ended December 31, 2006*

*Qualified audit opinion on the consolidated financial statements*

*We have audited the accompanying consolidated financial statements of REAL SOFTWARE NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financing Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the consolidated income statement, the consolidated statements of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheets shows total assets of 79.405.000 EUR and a consolidated profit (group share) for the year then ended of 2.311.000 EUR.*

*The financial statements of several significant entities included in the scope of consolidation which represent total assets of 19.289 (000) EUR and a total turnover of 44.940 (000) EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.*

*The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal*

<sup>1</sup> Free translations; for information purposes only.

*control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.*

*Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain assurance whether the consolidated financial statements are free from material misstatement.*

*In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting methods used, the consolidation policies, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.*

*The group recognized in prior book year a restructuring provision for an amount of 2.154. 000 EUR for which the recognition criteria applicable to restructurings as defined by IAS 37 are not entirely met. The group maintained in current book year a restructuring provision for an amount of 1.672.000 EUR for which the recognition criteria applicable to restructurings as defined by IAS 37 are not entirely met. Accordingly, the provisions as of 31 December 2006 should be reduced by 1.672.000 EUR and the profit for the year ended 31 December 2006 should be decreased by 482.000 EUR.*

*In our opinion, subject to the information mentioned in the paragraph above, and based, to the extent necessary, upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2006, and of its results and its cash flows for the year then ended, in accordance with International Financing Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.*

*On the financial statements for the year ended December 31, 2005*

*Qualified audit opinion on the consolidated financial statements, with an emphasis of matter paragraph*

*We conducted our audit in accordance with the standards of the "Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement taking into account the legal and regulatory requirements applicable to consolidated financial statements in Belgium.*

*In accordance with these standards, we considered the group's administrative and accounting organization as well as its internal control processes. We have obtained the explanations and information required for our audit. An audit includes examining, on a test basis, evidence supporting the amounts in the consolidated financial statements. An audit also includes assessing accounting policies used, the basis for consolidation and significant estimates made by management as well as evaluating the presentation of the consolidated financial statements taken as a whole. We believe that our audit, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.*

*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 December 31, 2005 should be reduced by 2.154. 000 EUR and the loss for the year then ended should be decreased by 2.154. 000 EUR.*

*In our opinion, except for the impact of the matter referred to in the preceding paragraph, and based, to the extent necessary upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of December 31, 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted*

by the EU and with the legal and regulatory requirements applicable in Belgium, and the information given in the notes to the consolidated financial statements is adequate.

Without modifying the above opinion, we would like to draw your attention to the management report, in which the Board of Directors, in accordance with the legal requirements (article 119 of the Company Code), justifies the application of the valuation rules applicable under the going concern assumption. No adjustments that might be necessary if the company would not be able anymore to continue as a going concern in the foreseeable future, relating to the classification or the valuation of specific balance sheet accounts have been recorded.

Although the group has incurred significant losses that affect the financial position of the group and given the company's negative net equity and high debt ranking, the consolidated financial statements have been prepared by the Board of Directors assuming the company's ability to continue as a going concern. The Board of Directors has evaluated the net book value of capitalized development costs, positive consolidation differences and deferred tax assets and is in the opinion that the depreciations are sufficient. This assumption of going concern remains valid only to the extent that the company can further benefit from the financial support of its shareholders, or can rely on other financing sources.

This assumption is only justified to the extent that the company successfully realises the financial, technical and commercial objectives and recovery measures as foreseen in its business plan in order to be sufficiently profitable to justify the net book value of these assets.

On the financial statements for the year ended December 31, 2004

Unqualified audit opinion on the consolidated financial statements with a matter of emphasis paragraph

We conducted our audit in accordance with the standards of the "Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement taking into account the legal and regulatory requirements applicable to consolidated financial statements in Belgium.

In accordance with these standards we have taken into account the administrative and accounting organization of your company as well as the procedures of internal control. As mentioned in the second part of this report, we observed a weakening regarding the internal control environment and the administrative organization. Consequently, we had to adjust our audit approach resulting in appropriate alternative control procedures. With respect to our control procedures performed, we have received all information and explanation requested. We have examined, on a test basis, the evidence supporting the amounts included in the financial statements. We have assessed the accounting policies used, the significant estimates made by the company and the overall presentation of the financial statements. We believe that our audit work performed provides a reasonable basis for our opinion.

Based on our audit and the reports of other auditors, we are of the opinion that, in accordance with the applicable legal and regulatory requirements, the consolidated financial statements give a fair and true view of the company's assets, liabilities, financial position as of 31 December 2004, and the results of its operations for the year then ended, and the information given in the notes to the financial statements is adequate.

Although the company has incurred significant losses which affect its financial position and given the company's consolidated negative net equity and high debt ranking, the financial statements have been prepared by the Board of Directors under the going concern assumption. This assumption is only valid to the extent that the shareholders continue to financially support the company, that the company has access to other financial resources and that the company is able to assure the success of its future operations.

Without questioning the above unqualified opinion, we draw the attention to the directors' report, in which the Board of Directors, in accordance with the Belgian legal requirements, justifies the application of valuation rules under the going concern assumption.

No adjustments were made in connection with the valuation or the classification of certain balance sheet accounts which may become necessary if the company would not be able to continue its activities. With respect to the activated developments costs (1.194 (000) EUR) and goodwill (49.303(000) EUR) the Board

of Directors has evaluated the book value, based upon assumptions made in the business plan, and has considered the recorded amortization to be sufficient<sup>1</sup>.

#### **E. Material Adverse Change**

With respect to the Issuer there has been no material adverse change in the financial position of the Issuer since December 31, 2006.

#### **F. Recent Developments**

The Issuer has however performed the following noteworthy operations.

##### *Warrants 2007 Issue*

On July 3, 2007, in the framework of the authorized capital, the board of directors issued 14,440,000 warrants, referred to as “Warrants 2007”, pursuant to a stock option plan for grants to the senior management of the Issuer.

Each warrant is entitled to one new ordinary share of the Issuer. The exercise price of the Warrants 2007 is €0.47, being the average of the closing prices of the share of the Issuer as quoted on Eurolist by Euronext Brussels during the thirty day period preceding the issuance of the Warrants 2007. The Warrants 2007 have a term of five years and shall vest in three installments of one-third ( $\frac{1}{3}$ ) each on the date of grant and on the first and second anniversary of the date of grant. Upon termination of a holder’s employment or consultancy agreement, the Warrants 2007 will stop vesting unless stipulated otherwise by the board of directors. The exercise of the Warrants 2007 during their term will lead to an increase in the share capital of the Issuer through issuance of new shares of the Issuer. The potential total dilution if all 14,440,000 Warrants 2007 are exercised at €0.47 conversion price would amount to 4.90%, on a fully diluted basis.

##### *AXIAS Acquisition*

On July 3, 2007, Real Software acquired Axias NV (“Axias”), a Belgian company with a turnover of approximately €5 million and 60 employees (“Axias acquisition”). Axias specializes in projects relating to customer relationship management (CRM), Business Intelligence (BI) and Enterprise Resource Planning (ERP) solutions.

Axias was founded in 2000, and in 2006 had a management buy-out. Since that time, Axias has proven itself as a successful provider of business solutions in the CRM, Business Intelligence and ERP domains. The Issuer is already active in these domains, and, with this acquisition, intends to strengthen its expertise, extend its product portfolio and expand its customer base. The strong methodological approach of Axias fits with the ‘plan-build-run’ vision of the Issuer. The Axias acquisition is a strategic fit for the Issuer given its focus on three of the Issuer’s strategic solutions, its established reputation in the Belgian market, and the skills of its people and managers.

The purchase price for Axias NV is €5.15 million, of which 34% is paid in consideration for all of the shares in Axias. The remaining two-thirds (66%) of the purchase price will be paid depending upon performance and conditional upon certain owner-managers continuing to provide services to the company - one-third (33%) of the purchase price is due upon the one year anniversary of the closing date of the Axias acquisition and the final one-third (33%) due on the second anniversary of the closing date of the Axias acquisition.

The initial part of the purchase price was fully paid in the Issuer shares. Upon the contribution in kind of the Axias shares to the Issuer’s stock, 3,725,531 new shares were created, i.e. a dilution of 1.25% on fully diluted basis, bringing the number of outstanding shares to 283,474.447 on July 3, 2007.

#### **G. Stock Loan Agreement and Lock-up of Existing Shares**

In connection with the issue of the Notes, the Sole Bookrunner has entered into a stock loan agreement with Real Holdings LLC for up to 60,000,000 shares for a period of up to 3 years. In connection with the issue of the Notes, Real Holdings LLC has further committed to the Sole Bookrunner not to sell any of its existing Shares without the prior consent of the Sole Bookrunner, for a period of 90 days from July 6, 2007.

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<sup>1</sup> Extracted from the report of Deloitte Bedrijfsrevisoren BV under the form of a CVBA, dated February 26, 2007.

## 22. DEFINITIONS AND GLOSSARY

### A. DEFINITIONS

Agency Agreement . . . . .	The agreement to be dated on or before July 16, 2007, relating to the Notes between the Issuer, the Trustee and the Paying and Conversion Agent
Articles of Association . . . . .	The articles of association of the Issuer, as lastly amended on July 3, 2007
Clearstream, Luxembourg . . . . .	Clearstream Banking, S.A.
Closing Date . . . . .	Expected to be July 16, 2007
Conversion Price . . . . .	The initial conversion price of €0.556, subject to adjustment from time to time in accordance with the provisions of the Trust Deed
Domiciliary Agent . . . . .	KBC Bank NV
Euro, EUR or € . . . . .	The European currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
Euro MTF Market . . . . .	The Euro MTF Market of the Luxembourg Stock Exchange
Euroclear . . . . .	Euroclear Bank SA/NV
Euronext Brussels . . . . .	Euronext Brussels NV
Group . . . . .	The Issuer and its subsidiaries and affiliated companies, taken as a whole
Issuer . . . . .	Real Software NV
Member State . . . . .	Any member state of the European Economic Area
NBB . . . . .	The National Bank of Belgium
Notes . . . . .	The €75,000,000 2% senior unsecured convertible notes due 2012 to be issued by the Issuer on the Closing Date
Noteholders . . . . .	Holders of Notes, from time to time
Listing Agent & Luxembourg Paying and Conversion Agent . . . . .	The Bank of New York (Luxembourg) S.A.
Principal Paying and Conversion Agent . . . . .	The Bank of New York
Prospectus . . . . .	This prospectus dated July 12, 2007
Regulation S . . . . .	Regulation S under the Securities Act
Securities Act . . . . .	United States Securities Act of 1933, as amended
Shares . . . . .	Ordinary shares in the capital of the Issuer, each representing the same fractional value of the Issuer's share capital
Shareholders . . . . .	Holders of Shares, from time to time
Sole Bookrunner . . . . .	KBC Financial Products UK Ltd.
Stabilizing Manager . . . . .	KBC Financial Products UK Ltd.
Trust Deed . . . . .	The agreement to be dated on or before the Closing Date relating to the Notes between the Issuer and the Trustee
Trustee . . . . .	BNY Corporate Trustee Services Limited
United States, US or U.S. . . . .	The United States of America, its territories and possessions, any state of the United States and the District of Columbia
X/N System . . . . .	The X/N clearing system as currently operated by the NBB

*Other capitalized terms are defined elsewhere in this Prospectus.*

### B. GLOSSARY

AOF-DM . . . . .	An Electronic Document Management package developed and marketed by Real Solutions (Luxembourg).
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CMMI .....	<p>“Capability Maturity Model Integration”</p> <p>The CMMI program is designed to help companies to achieve service delivery excellence. Instilling delivery and process excellence in an accountable organization leads to improved relations and satisfaction both externally with customers and internally among the associates.</p>
FIMACS .....	<p>A total solution for financial services for production, service and distribution businesses alike. FIMACS has extensive functionality for standard reporting and offers flexible analysis tools.</p>
IBSY .....	<p>An application for automating the back-office of private banking, developed and marketed by Real Solutions (Luxembourg).</p>
RIMSES .....	<p>This application integrates contract management, field service, distribution, financial management and invoicing. Secondly, this computerized maintenance management system offers a solution for supporting all internal maintenance activities and for the management of outsourcing contracts in production environments. The package integrates project planning, stock management, stock replenishment, preventive maintenance and service performance.</p>
RITM.....	<p>A total solution for the textile sector, including modules for financial management, planning, shopfloor control, weaving inspection, warehouse management and administration (sales, purchasing, inventory, bill of materials, cost price calculation and maintenance).</p>
SLA .....	<p>Service Level Agreement</p> <p>A document gradually becoming the standard document used by the Issuer for providing services to its customers.</p>

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## INDEX TO FINANCIAL STATEMENTS

1. Consolidated Income Statement for the year ended December 31, 2006 .....	F-2
2. Consolidated balance sheet for the year ended December 31, 2006 .....	F-3
3. Consolidated statement of changes in equity for the year ended December 31, 2006 .....	F-4
4. Consolidated cash flow statement for the year ended December 31, 2006 .....	F-5
5. Notes to the consolidated financial statements for the year ended December 31, 2006 .....	F-6

## Consolidated Income Statement for the Year Ended 31 December 2006

The consolidated financial statements have been authorized for issue by the Board of Directors on 26 February 2007.

	<u>Note</u>	<u>31/12/2006</u> EUR '000	<u>31/12/2005<sup>(1)</sup></u> EUR '000
<b>CONTINUING OPERATIONS</b>			
Operating Revenue .....		91,448	103,804
Turnover .....	5/6	<u>90,741</u>	<u>102,672</u>
Other operating income .....	7	707	1,132
<b>Operating Charges</b> .....		<u>(87,495)</u>	<u>(102,554)</u>
Purchases of goods for resale, new materials and consumables .....	8	(6,920)	(8,394)
Services and other goods .....	8	(25,657)	(31,280)
Employee benefits expense .....	8	(54,506)	(61,448)
Depreciation and amortization expense .....	8	(594)	(928)
Provisions and allowances .....	8	513	639
Other operating expenses .....	7	(331)	(1,142)
<b>OPERATING RESULT before NON-RECURRING<sup>(2)</sup></b> .....		<u>3,952</u>	<u>1,250</u>
Non-recurring revenues .....	9	2,461	1,184
Restructuring charges .....	9	251	(4,744)
Impairment loss .....	9	—	(1)
Other non-recurring charges .....	9	(19)	311
<b>OPERATING RESULT (EBIT)</b> .....		<u>6,645</u>	<u>(1,999)</u>
Share of profit of associates .....		—	(21)
Investments revenues .....		—	—
Financial income .....	10	94	84
Financial charges .....	10	(5,707)	(5,510)
<b>Profit (Loss) before income taxes</b> .....		<u>1,032</u>	<u>(7,445)</u>
Income taxes .....	11	(1,023)	(681)
<b>Profit (Loss) for the year from continuing operations</b> .....		<u>9</u>	<u>(8,126)</u>
<b>Discontinued Operations</b>			
Profit for the year from discontinued operations .....	38	2,302	(1,992)
<b>Profit (Loss) for the year</b> .....		<u>2,311</u>	<u>(10,118)</u>
Attributable to:			
Equity holders of the parent .....		2,311	(10,180)
Minority interest .....		—	62
		<u>31/12/2006</u>	<u>31/12/2005</u>
<b>EPS (in Euro)</b> .....	12	0.01	(0.06)

<sup>(1)</sup> restated for discontinued Retail operations under IFRS 5

<sup>(2)</sup> non recurring income or charges are related to sale/acquisitions of businesses or participations and one time adjustments related to prior periods.

**Consolidated Balance Sheet**  
For the Year Ended 31 December 2006

	<u>Note</u>	<u>31/12/2006</u> EUR '000	<u>31/12/2005</u> EUR '000
<b>Non Current Assets</b> .....		<u>32,603</u>	<u>35,284</u>
Goodwill .....	13	28,357	28,355
Intangible assets .....	15	263	107
Property, plant and equipment .....	14	3,637	6,399
Investments in associates .....	16+17	50	65
Deferred tax assets .....	20	<u>296</u>	<u>357</u>
<b>Current Assets</b> .....		<u>41,062</u>	<u>42,026</u>
Inventories .....	19	—	608
Trade and other receivables .....	21	32,751	37,555
Cash and cash equivalents .....	22	8,311	3,863
<b>Non Current Assets as held for sale</b> .....	38	<u>5,740</u>	<u>—</u>
<b>Total Current Assets</b> .....		<u>46,802</u>	<u>42,026</u>
<b>TOTAL ASSETS</b> .....		<u>79,405</u>	<u>77,310</u>
<b>Shareholder's Equity</b> .....		10,461	(53,266)
Share capital .....	23	17,574	11,527
Share premium .....	23	475,325	419,957
Retained earnings .....	24	(482,438)	(484,750)
<b>Equity attributable to equity holders of the parent</b> .....		10,461	(53,266)
Minority interest .....		—	317
<b>TOTAL EQUITY</b> .....		<u>10,461</u>	<u>(52,949)</u>
<b>Non-Current Liabilities</b> .....		17,715	60,697
Convertible loan notes .....	26	—	15,000
Obligations under finance lease .....	28	2,794	3,039
Bank loans and Other Borrowings .....	25	13,240	39,461
Other non-current liabilities .....		—	—
Retirement benefit obligations .....	34	326	475
Provisions .....	29	1,355	2,721
Deferred tax liabilities .....	20	—	—
<b>Current Liabilities</b> .....		47,871	69,562
Convertible loan notes .....	26	—	—
Obligations under finance lease .....	28	224	211
Bank overdrafts and loans .....	25	5,474	15,922
Trade and other payables .....		40,101	47,030
Current income tax liabilities .....	11	117	233
Provisions .....	29	1,955	6,017
Derivative financial instruments .....	27	—	150
Liabilities directly associated with non-current assets classified .....	38	<u>3,358</u>	<u>—</u>
<b>Total Current Liabilities</b> .....		<u>51,229</u>	<u>69,562</u>
<b>TOTAL LIABILITIES</b> .....		<u>68,944</u>	<u>130,259</u>
<b>TOTAL EQUITY and LIABILITIES</b> .....		<u>79,405</u>	<u>77,310</u>

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2006

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Equity Reserves</u>	<u>Retained Earnings</u>	<u>Minority Interest</u>	<u>Total</u>
<b>Balance at 1 January 2005</b> .....	<u>11,399</u>	<u>403,672</u>	<u>—</u>	<u>(474,348)</u>	<u>255</u>	<u>(59,022)</u>
Effect of changes in accounting policy .....			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) .....						—
Transfer to income statement .....						—
Deferred taxes .....						—
Dividends .....						—
Change in scope of consolidation .....						—
Transfer within equity .....			(15,613)			(15,613)
Capital Increase .....	128	16,285				16,413
Other .....						—
<b>Balance at 1 January 2006</b> .....	<u>11,527</u>	<u>419,957</u>	<u>—</u>	<u>(484,750)</u>	<u>317</u>	<u>(52,949)</u>
Effect of changes in accounting policy .....						
As restated .....	11,527	419,957	—	(484,750)	317	(52,949)
Net profit/ (loss) .....				2,311	—	2,311
Gains (losses) not recognised in income statement .....						—
Transfer to income statement .....						—
Deferred taxes .....						—
Dividends .....						—
Change in scope of consolidation .....	(1)	317			(317)	—
Transfer within equity .....	(1)	(1,030)				(1,030)
Capital Increase .....	6,047	56,264				62,311
Other .....	(2)	(182)	—		—	(182)
<b>Balance at 31 December 2006</b> .....	<u>17,574</u>	<u>475,326</u>	<u>—</u>	<u>(482,439)</u>	<u>—</u>	<u>10,461</u>

<sup>(1)</sup>In June 2006 the group has come to an agreement in principle with the minority shareholders to purchase the remaining 50% stake in its subsidiary Oriam SA before the end of the year.

<sup>(2)</sup>cost of capital increase

**Consolidated Cash Flow Statement**  
For the Year Ended 31 December 2006

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
<b>OPERATING RESULT<sup>(1)</sup></b> .....	<u>8,947</u>	<u>(3,991)</u>
Depreciation and amortisation .....	1,070	1,059
Impairment losses on assets .....	—	1
Write-offs on assets .....	—	—
Value adjustments of financial investments .....	—	—
Changes in provisions .....	(5,133)	(248)
(Gains)/Losses on disposals of assets .....	(2,161)	—
Income from associates .....	—	—
<b>Gross Operating Cash Flow</b> .....	<u>2,723</u>	<u>(3,179)</u>
Changes in working capital .....	<u>(5,171)</u>	<u>4,661</u>
<b>Net Operating Cash Flow</b> .....	<u>(2,448)</u>	<u>1,482</u>
Income taxes paid .....	<u>(1,077)</u>	<u>(150)</u>
<b>Net Cash Flow from Operating Activities</b> .....	<u>(3,525)</u>	<u>1,331</u>
Interest received .....	94	84
Dividend received .....	—	—
Capital Increase .....	61,099	16,413
Increase/Decrease of loans .....	(51,880)	(16,385)
Increase/Decrease of receivables .....	—	—
Investments in intangible assets .....	(275)	(107)
Investments in property, plant and equipment .....	(605)	(723)
Acquisitions of investment property .....	(2)	—
New investments in associates .....	15	(—)
Disposals of intangible assets .....	—	—
Disposals of property, plant and equipment .....	45	8
Disposals of investment property .....	2,116	—
Disposals of investments available for sale .....	—	—
<b>Net Cash Flow from Investment Activities</b> .....	<u>10,607</u>	<u>(709)</u>
Capital Increase .....	61,099	16,413
Increase/decrease of loans .....	(51,880)	(16,385)
Interest paid .....	(2,634)	(1,992)
Dividend paid .....	—	—
Increase/Decrease financial liabilities proceeds .....	—	—
Increase/Decrease financial liabilities repayments .....	—	—
<b>Cash Flow from Financing Activities</b> .....	<u>(2,634)</u>	<u>(1,992)</u>
Effect of exchange rate changes .....	—	—
Effect of change in scope of consolidation .....	—	—
<b>Changes in Cash and Cash Equivalents</b> .....	<u>4,448</u>	<u>(1,370)</u>
Net cash position opening balance .....	3,863	5,233
Net cash position closing balance .....	<u>8,311</u>	<u>3,863</u>
<b>Total Cash movement</b> .....	<u>4,448</u>	<u>(1,370)</u>

<sup>(1)</sup>variance with operating result on Income Statement is impact of IFRS 5 Discontinued operations

## NOTE 1 — GENERAL INFORMATION

Real Software NV (the Company) is a limited company incorporated in Belgium, with company number 0429.037.235. The addresses of its registered office and principal place of business is in Belgium, Prins Boudewijnlaan 26, 2550 Kontich. The principal activities of the Company and its subsidiaries (the Group) are described in note 16. The consolidated financial statements for the year ended 31 December 2006 include Real Software NV and its subsidiaries (together referred to as 'Real Software' or 'the Group'). Comparative figures are for the financial year 2005.

## NOTE 2 — STATEMENT OF COMPLIANCE

The consolidated financial statements of Real Software for the period ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union at 31 December 2006.

Below is an overview of Standards and Interpretations that became effective in 2006 and others that were issued at the reporting date but which were not effective yet.

Became applicable for 2006

- IFRS 6 Exploration for and Evaluation of Mineral Resources (applicable for accounting years beginning on or after 1 January 2006)
- IAS 19 Employee Benefits — Amendment — Actuarial Gains and Losses, Group Plans and Disclosures (applicable for accounting years beginning on or after 1 January 2006)
- IAS 21 The Effect of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation (applicable for accounting years beginning on or after 1 January 2006)
- IAS 39 Financial Instruments: Recognition and Measurement — Amendment — The Fair Value Option (applicable for accounting years beginning on or after 1 January 2006)
- IAS 39 Financial Instruments: Recognition and Measurement — Amendment — Financial Guarantee Contracts (applicable for accounting years beginning on or after 1 January 2006)
- IFRIC 4 Determining whether an Arrangement contains a Lease (applicable for accounting years beginning on or after 1 January 2006)
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitations Funds (applicable for accounting years beginning on or after 1 January 2006)
- IFRIC 6 Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment (applicable for accounting years beginning on or after 1 December 2005)

Issued but not yet effective

- IFRS 7 Financial Instruments: Disclosures (applicable for accounting years beginning on or after 1 January 2007)
- IFRS 8 Operating Segments (applicable for accounting years beginning on or after 1 January 2009)
- IAS 1 Presentation of Financial Statements — Amendment — Capital Disclosures (applicable for accounting years beginning on or after 1 January 2007)
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (applicable for accounting years beginning on or after 1 March 2006)
- IFRIC 8 Scope of IFRS 2 (applicable for accounting years beginning on or after 1 May, 2006)
- IFRIC 9 Reassessment of Embedded Derivatives (applicable for accounting years beginning on or after 1 June 2006)
- IFRIC 10 Interim Financial Reporting and Impairment (applicable for accounting years beginning on or after 1 November 2006)
- IFRIC 11 IFRS 2 Group and Treasury share Transactions (applicable for accounting years beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (applicable for accounting years beginning on or after 1 January 2008)

## NOTE 3 — SUMMARY OF ACCOUNTING POLICIES

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of

changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### **Business combinations and goodwill**

#### *Business Combinations*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

#### *Goodwill*

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **Investments in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Such goodwill on investments in associates is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

### **Interests in joint ventures**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and

its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Real Software's revenue-earning activities involve, but are not limited to, the selling of Product Licences, the rendering of Software Services, delivering of Software/Technical Support and selling of Infrastructure. Infrastructure sales commonly go with the sales of Licence Products but can also occasionally involve straight-forward goods sales.

These activities constitute the Company's ongoing major operations, and revenues are considered to have been earned when the Company has substantially accomplished what it must do to be entitled to the benefits represented by the revenues.

#### 1. Infrastructure

Revenue from the sale of hardware (so called 'infrastructure revenue') is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

#### 2. Licenses

Licenses are agreements by which the Company grants the customer the right to use, but not own, the Company's products, usually with limitations on the number of employees or users for which the software use is granted and the license period.

Fees from licenses are recognized as revenue, if no significant production, modification or customisation of software is required and when all of the following four conditions are met:

1. signature by the company and the customer of a non-cancellable contract;
2. delivery has occurred;
3. the license fees are fixed and determinable;
4. collection of the fee is almost certain.

If significant production, modification or customisation of software is required revenue can only be recognised in conformity with the contract accounting method used for 'Fixed price contracts'.

#### 3. Maintenance

Revenue from maintenance contracts and other contracts for which a specific service is delivered during a contractually agreed period of time, is recognised on a straight-line basis over the term of the contract, except for maintenance contracts in which the Group acts as a commissioner, in which case the commission is directly recognised in the income statement.

#### 4. Project revenues: fixed price contracts and time & material

##### *Fixed price contracts*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Real Software determines the stage of completion of the contract by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

##### *Time and material*

Time based service contracts are agreements for services such as installation, development, consulting, training and other services, based on the time-and-material concept.

The basis for these agreements is only an agreed day/hour unit price, without neither explicit nor implicit delivery requirements nor any commitments to results to be achieved. The revenue can be recognised as the services are delivered and invoiced.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *Finance Lease : Real Software as lessee*

Real Software does not act as a lessor in any agreements with its clients.

The Group entered into several leasing agreements, mainly related to office buildings and office equipment. Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

#### *Operating lease : Real Software as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### **Foreign currencies**

All entities in the scope of consolidation have EUR as a functional currency, which is also the functional and presentation currency of Real Software.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in operating expense.

### **Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Government grants**

Government grants towards staff re-training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

### **Retirement benefit costs**

#### *Retirement benefit schemes*

In accordance with the laws and practices applicable in each country, the companies of the group provide retirement and/or death benefits to their employees.

#### *Defined contribution plan*

Under "defined contribution plans", the obligation of the company is limited to the amount that it agrees to contribute to a fund. All actuarial and investment risks fall on the employee. Payments to defined contribution plans are charged as expenses as they fall due.

#### *Defined benefit plans*

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under "defined benefit plans" benefits are typically calculated based on years of service and on the level of remuneration.

The amount recognised in the balance sheet is the present value of the "defined benefit obligation" adjusted for the unrecognised actuarial gains/(losses) and any past service cost not yet recognized less the fair value of any plan assets.

Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service costs plus the present value of available refunds and reductions in future contributions to the plan.

The present value of the "defined benefit obligations" and the related current and past service costs are calculated using the "projected unit credit method". This implies that benefits are normally attributed to periods of service under the plan's benefit formula. The discounted value of benefits attributed to prior periods of service equals the present value of the defined benefit obligation, and the discounted value of benefits attributed to the current period of service equals the service cost. The discount rate is determined based on the market yields at the balance sheet date of high quality corporate bonds.

The actuarial gains and losses, resulting mainly from changes in actuarial assumptions, are determined separately for each defined benefit plan and not immediately recognised but deferred according to the following principle. The actuarial gains and losses exceeding a corridor of 10% of the higher of the fair value of plan assets and the present value of the defined benefit obligations are recognised in the income statement over the average remaining working lives of the plan participants involved.

Past service costs, which arise when a plan is introduced or modified, are recognised as an expense over the average period until the benefits become vested.

In the income statement, current and past service costs, actuarial gains / (losses) are charged in “employee benefit expense”, while interest cost and expected return on plan assets are booked in “other financial income & expenses”.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. After initial recognition, all items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, any cost directly attributable to bringing the asset to the location and condition for it to be capable of operating in the manner intended by management.

Depreciation is calculated over the estimated useful lives of property, plant and equipment using the straight-line method. Depreciation starts when the assets are ready for their intended use.

The estimated useful lives of the most significant categories of property, plant and equipment are:

- (land is not depreciated)
- Buildings 5%
- Machinery & Fixtures 10-25%
- Computer & Office equipment 10-33%
- Vehicles 25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

### **Internally-generated intangible assets — research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group’s business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

### **Patents and trademarks**

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives, being 5 years.

### **Impairment of tangible and intangible assets**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or when the asset is transferred and the transfer qualifies for derecognition based on the extent to which the risks and rewards of ownership are retained or transferred. Financial liabilities are removed from the balance sheet when they are extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

### **Trade receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method where the impact is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### **Investments**

Available-for-sale investments are initially measured at fair value, increased with any direct acquisition costs associated with the investment. After initial recognition, available-for-sale investments are measured at fair value. Gains or losses on available-for-sale investments from changes in fair value are recognized directly in equity, except for impairment losses and foreign exchange gains and losses, which are recognised in the income statement. Upon disposal of the investment, the cumulative gain or loss previously recognized in equity is transferred to the income statement. For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is calculated based on the expected cash flows of the underlying net asset base of the investment.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### **Bank borrowings**

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

### **Convertible loan notes**

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loan note into equity of the Group, is included in equity (capital reserves).

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

### **Trade payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method where the impact is material.

### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Derivative financial instruments and hedge accounting**

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

### **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### *Restructuring provisions*

A constructive obligation to restructure arises, and hence a provision for restructuring is recognised, only when the Group has a detailed formal plan for the restructuring identifying at least the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and when the plan will be implemented and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A management or board decision to restructure taken before the balance sheet date does not give rise to a constructive obligation at the balance sheet date and hence no provision is recognised unless the entity has, before the balance sheet date started to implement the restructuring plan; or announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will carry out the restructuring.

## **NOTE 4 — CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

### **Impairment of Goodwill**

In accordance with IFRS 3, goodwill arising on consolidation is tested annually for impairment or more frequently if there are indications that the goodwill might be impaired, in accordance with IAS 36, Impairment of Assets. This standard also requires that the goodwill should, from the acquisition date, be allocated to each of the cash-generating units (CGU's) or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. The CGUs to which goodwill has been allocated were tested for impairment at the balance sheet date by comparing the carrying amount of the unit with the recoverable amount (higher of its fair value less cost to sell and its value in use).

Real Software Group management prepared cash flow forecasts for the CGU's as reported under the secondary segment reporting format (by geographical locations). The key assumptions included in the value in use calculation comprise the discount factor, the projected future net cash flows on products and the forecasted growth in revenue from services. The discount rate applied to cash flow projections is the weighted average cost of capital (WACC), ranging from 9,6% to 13,1%. The components for the determination of the WACC are based on sector-specific parameters received from various investment banks and analysts and taking into account the financial position of Real Software.

#### Impairment parameters per CGU

	<u>WACC</u>	<u>Growth</u>	<u>Margin</u>	<u># years protected</u>
Real Solutions .....	9.63%	1.00%	2,501	9
Airial .....	9.63%	1.00%	1,540	9
ASQ .....	10.05%	0.00%	1,027	9

For 2006 this impairment test did not result in an impairment loss on goodwill.

#### Going Concern

In 2006 a significant turnaround has taken place both in terms of improving the balance sheet and profitability. As a result of the debt conversion in September 2006, equity has improved by €63.9m to a positive €10.5m equity position and debt was reduced by €51.9m to €21.7m at year end. A new credit facility has been put in place bringing €13.5m new working capital to the company allowing the company to significantly improve its liquidity and improve its cash position to €8.3m at year end. The company reports a net profit of €2.3m and a recurring operating result of €4.0m on continued operations confirming also the positive turnaround in operational results. The board of directors have therefore decided to present the accounts as of 31 December 2006 under going concern and have examined and approved net book value of positive consolidation differences.

#### IFRS 5 Discontinued Operations

The Board of Directors announced a plan to dispose its Retail business. The company applied IFRS 5 'Assets held for sale and discontinued operations' in order to show the impact of this decision. IFRS 5 reclasses are detailed in Note 38.

#### NOTE 5 — BUSINESS SEGMENT INFORMATION (PRIMARY)

##### REVENUE

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	<u>31/12/2006</u>	<u>31/12/2006</u>
<b>Continuing operations</b>		
Revenue Products .....	24,550	25,622
Revenue Services .....	<u>66,191</u>	<u>77,050</u>
	<u>90,741</u>	<u>102,672</u>
<b>Discontinued operations</b>		
Revenue Products .....	13,158	13,272
Revenue Services .....	—	—
	<u>13,158</u>	<u>13,272</u>
<b>Total revenue</b> .....	<u>103,899</u>	<u>115,944</u>

##### BUSINESS SEGMENTS

For management purposes, the Group is currently organised into two operating divisions, Products & Services. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows.

**Products:** Development, implementation and support of products that are part of the company's product portfolio of which typically IP usage rights are sold to the customer based on licenses and support based on maintenance contracts

**Services:** ICT services ranging from Design- Build- Implement to Run business systems which are sold based on fixed price or T&M basis. Added value to customer are competencies in technical (Project Services, Java, Microsoft, iSeries, Oracle and Infrastructur), functional (industry knowledge) and process oriented area (IT project and applications management).

Segment information about the Group's continuing operations is presented below.

**YEAR END 2006**

	<u>Products</u>	<u>Services</u>	<u>Corporate</u>	<u>Total Group for Continuing Operations</u>
	EUR '000	EUR '000	EUR '000	EUR 000
<b>Continued Operations</b>				
Revenue .....				
External sales .....	24,550	66,191	—	90,741
Inter segment sales .....	—	—	—	—
Other operating income .....	(3)	710	—	707
<b>Revenue from continuing operations</b> .....	<b>24,547</b>	<b>66,901</b>	<b>—</b>	<b>91,448</b>
Operating result before Non recurring .....	2,813	3,808	(2,669)	3,952
Segment result from continuing operations .....	3,043	5,544	(1,942)	6,645
Unallocated corporate expenses				
Operating profit/'(loss) from continuing operations EBIT ..				6,645
Share of profit of associates .....				(5,613)
Finance costs .....				—
Profit/(loss) before tax .....				1,032
Income tax expense .....				(1,023)
<b>Profit of the year from Continuing Operations</b> .....				<b>9</b>
<b>Discontinued Operations</b>				
Revenue .....				
External sales .....	13,158	—	—	13,158
Inter segment sales .....	—	—	—	—
Other operating income .....	116	—	—	116
<b>Revenue from discontinued operations</b> .....	<b>13,274</b>	<b>—</b>	<b>—</b>	<b>13,274</b>
Operating result before Non recurring .....	1,362	—	—	1,362
Segment result from discontinuing operations .....	2,302	—	—	2,302
Operating profit/'(loss) from Discontinuing operations EBIT				2,302
Share of profit of associates .....				—
Finance costs .....				—
Profit/(loss) before tax .....				2,302
Income tax expense .....				—
<b>Profit of the year from Discontinuing Operations</b> .....				<b>2,302</b>
<b>Profit for the Year</b> .....				<b>2,311</b>

	<u>Products</u>	<u>Services</u>	<u>Corporate</u>	<u>Total Group for Continuing Operations</u>
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Other information Continuing Operations</b>				
CAPEX .....	235	402	294	931
Depreciation and amortisation .....	136	392	66	594
Other non cash expenses .....	(76)	(690)	—	(766)
Impairment losses recognised in profit or loss .....	—	—	—	—
Non recurrent revenues .....	155	2,174	132	2,461
Restructuring charges .....	94	(438)	595	251
Other non recurrent charges .....	(19)	—	—	(19)

	<u>Products</u>	<u>Services</u>	<u>Corporate</u>	<u>Total for Continuing Operations</u>
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Balance sheet 31/12/2006</b>				
<b>Assets</b>				
Segment assets .....	11,782	25,290	36,594	73,665
Interests in associates .....				
Unallocated assets .....				
Consolidated total assets .....				
<b>Liabilities</b>				
Segment liabilities .....	5,513	17,989	42,084	65,586
Unallocated liabilities .....				
Consolidated total liabilities .....				

<u>Other information Discontinued Operations</u>	<u>Products</u>	<u>Services</u>	<u>Corporate</u>	<u>Total Group for Continuing Operations</u>
	EUR '000	EUR '000	EUR '000	EUR '000
CAPEX .....	—	—	—	—
Depreciation and amortisation .....	476	—	—	476
Other non cash expenses .....	—	—	—	—
Impairment losses recognised in profit or loss .....	—	—	—	—
Non recurrent revenues .....	—	—	—	—
Restructuring charges .....	1,172	—	—	1,172
Other non recurrent charges .....	(232)	—	—	(232)
<u>Balance sheet 31/12/2006</u>	<u>Products</u>	<u>Services</u>	<u>Corporate</u>	<u>Total for Continuing Operations</u>
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>				
Segment assets .....	5,740	—	—	5,740
Interests in associates .....				
Unallocated assets .....				
Consolidated total assets .....				
<b>Liabilities</b>				
Segment liabilities .....	3,358	—	—	3,358
Unallocated liabilities .....				
Consolidated total liabilities .....				

YEAR END 2005

	<b>Products</b>	<b>Services</b>	<b>Corporate</b>	<b>Total Group for continuing operations</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Revenue</b>				
External sales . . . . .	25,622	77,050	—	102,672
Inter segment sales . . . . .	—	—	—	—
Other operating income . . . . .	(105)	1,237	—	1,132
<b>Revenue from continuing operations</b> . . . . .	<b>25,517</b>	<b>78,287</b>	<b>—</b>	<b>103,804</b>
Operating result before Non recurring . . . . .	(1,170)	6,066	(3,646)	1,250
Segment result from continuing operations . . . . .	(3,057)	5,926	(4,868)	(1,999)
Unallocated corporate expenses				
Operating profit/'(loss) from continuing operations EBIT . . .				(1,999)
Share of profit of associates . . . . .				(21)
Finance costs . . . . .				(5,425)
Profit/(loss) before tax . . . . .				(7,445)
Income tax expense . . . . .				(681)
<b>Profit of the year from Continuing Operations</b> . . . . .				<b>(8,126)</b>
<b>Discontinued Operations</b>				
<b>Revenue</b>				
External sales . . . . .	13,272	—	—	13,272
Inter segment sales . . . . .	—	—	—	—
Other operating income . . . . .	210	—	—	210
<b>Revenue from discontinued operations</b> . . . . .	<b>13,482</b>	<b>—</b>	<b>—</b>	<b>13,482</b>
Operating result before Non recurring . . . . .	(5)	—	—	(5)
Segment result from discontinuing operations . . . . .	(1,992)	—	—	(1,992)
Operating profit/'(loss) from Discontinuing operations EBIT				(1,992)
Share of profit of associates . . . . .				—
Finance costs . . . . .				—
Profit/(loss) before tax . . . . .				(1,992)
Income tax expense . . . . .				—
<b>Profit of the year from Discontinuing Operations</b> . . . . .				<b>(1,992)</b>
<b>Profit for the Year</b> . . . . .				<b>(10,118)</b>

<u>Other information Continued Operations</u>	<u>Products</u>	<u>Services</u>	<u>Corporate</u>	<u>Total Group for continuing operations</u>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR '000</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	
CAPEX . . . . .	337	334	52	723
Depreciation and amortisation . . . . .	56	478	94	928
Other non cash expenses . . . . .	(189)	(622)	(167)	(978)
Impairment losses recognised in profit or loss . . . . .	—	—	—	—
Non recurrent revenues . . . . .	539	645	—	1,184
Restructuring charges . . . . .	2,864	658	1,222	4,744
Other non recurrent charges . . . . .	159	152	—	11

<u>Other information Discontinued Operations</u>	<u>Products</u>	<u>Services</u>	<u>Corporate</u>	<u>Total Group for continuing operations</u>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR '000</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	
CAPEX . . . . .	—	—	—	—
Depreciation and amortisation . . . . .	131	—	—	131
Other non cash expenses . . . . .	—	—	—	—
Impairment losses recognised in profit or loss . . . . .	—	—	—	—
Non recurrent revenues . . . . .	—	—	—	—
Restructuring charges . . . . .	1,987	—	—	1,987
Other non recurrent charges . . . . .	—	—	—	—

<u>Balance sheet 31/12/2005</u>	<u>Products</u>	<u>Services</u>	<u>Unallocated</u>	<u>Total for continuing operations</u>
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>				
Segment assets .....	24,875	33,438	18,997	77,310
Interests in associates .....				
Unallocated assets .....				
Consolidated total assets .....				
<b>Liabilities</b>				
Segment liabilities .....	20,194	21,277	35,839	77,310
Unallocated liabilities .....				
Consolidated total liabilities .....				

#### NOTE 6 — GEOGRAPHICAL SEGMENT INFORMATION (SECONDARY)

The Group's operations are located in Belgium, France and Luxemburg. The assets by Geographical market

<u>Sales revenue by geographical market</u>	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
Continuing operations		
Belgium .....	45,337	55,084
France .....	31,044	30,517
Luxemburg .....	14,360	14,224
Other .....	—	2,848
Total continuing operations .....	<u>90,741</u>	<u>102,673</u>
Discontinued operations		
Belgium .....	9,332	9,545
France .....	504	533
Luxemburg .....	—	—
Other .....	<u>3,322</u>	<u>3,194</u>
Total discontinued operations .....	<u>13,158</u>	<u>13,272</u>

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located.

	<u>Carrying amount of segment assets</u>		<u>Additions to PP&amp;E and intangibles</u>	
	<u>31/12/2006</u>	<u>31/12/2005</u>	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000	EUR '000	EUR '000
Belgium .....	53,462	41,438	665	717
France .....	19,878	21,424	187	48
Luxembourg .....	<u>6,065</u>	<u>14,448</u>	<u>79</u>	<u>65</u>
Total .....	<u>79,405</u>	<u>77,310</u>	<u>931</u>	<u>830</u>

#### NOTE 7 — OTHER OPERATING REVENUES AND EXPENSES

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
Realized gain disposal fixed assets .....	45	103
Exchange and payment differences .....	244	26
Government grants .....	80	838
Received commissions .....	224	133
Other .....	<u>115</u>	<u>32</u>
Other Operating Income .....	<u>707</u>	<u>1,132</u>
	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
Operational taxes .....	180	827
Exchange and payment differences .....	50	71
Indemnities and Fines .....	13	57
Loss on disposal of fixed assets .....	—	19
Other .....	<u>88</u>	<u>168</u>
Other Operating Expenses .....	<u>331</u>	<u>1,142</u>

**NOTE 8 — OPERATING CHARGES RECURRING**

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
<b>Goods for resale, raw materials and consumables</b>		
Purchases .....	6,312	7,646
Increase (-); Decrease (+) in inventories .....	<u>608</u>	<u>748</u>
Total Goods for resale, new materials and consumables .....	<u>6,920</u>	<u>8,394</u>

Purchases of goods for resale contain mainly hardware and related equipment.

**1. Services and other goods**

Purchases from services and non-trade goods includes expenditure from subcontractors and consultants, operating leases of cars and other material for an amount of KEUR 25.657 (2005 : KEUR 31.280).

Rent and maintenance .....	3,111	1,822
Subcontractors and consultants .....	12,523	16,799
Carcost .....	5,791	6,226
Travel expenses .....	1,812	963
Other expenses .....	<u>2,420</u>	<u>5,471</u>
Total services and other goods .....	<u>25,657</u>	<u>31,280</u>

**2. Employee benefits expense**

Salaries & wages .....	45,695	47,391
Social security charges .....	7,902	13,578
Personnel insurance .....	551	46
Pension cost .....	(46)	(59)
Other .....	<u>403</u>	<u>102</u>
Total Employee benefit expense .....	<u>54,506</u>	<u>61,448</u>

At year-end, the Group employed 968 people (2005: 1.155)

**3. Depreciation and amortisation expense**

Amortization of intangible assets .....	—	—
Depreciation of property, plant & equipment .....	<u>594</u>	<u>928</u>
Total Depreciation and amortisation expense .....	<u>594</u>	<u>928</u>

See note 15 on intangible assets and to note 14 on property, plant & equipment for additional information

**4. Provisions and allowances**

Provisions .....	(604)	(540)
Impairment losses doubtful debtors .....	91	(99)
Impairment losses obsolete inventories .....	—	—
Total Provisions and allowances .....	<u>(513)</u>	<u>(639)</u>

**NOTE 9 — NON RECURRING OPERATING RESULTS**

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
<b>Non recurring revenue</b>		
Debt waivers .....	—	1,077
Received earn-out transfer of business .....	—	107
Divestiture of participation in Stork Real .....	2,313	—
Reimbursement real estate taxes (Oostkamp) .....	155	—
Other non-recurring revenue .....	(7)	—
	<u>2,461</u>	<u>1,184</u>
 Comments:		
In January 2006 the company sold the 50% participation in Stork Real BV and Stork Real NV to Stork.		
<b>Restructuring charges</b>		
Provision for restructuring (addition) .....	—	5,914
Reversal for paid restructuring charges .....	(2,973)	5,145
Reversal of Provision for restructuring .....	(1,377)	(4,328)
Paid restructuring charges .....	2,927 <sup>(1)</sup>	—
Reclassified to liabilities held for sale .....	<u>1,172</u>	<u>(1,987)</u>
	<u>(251)</u>	<u>4,744</u>
 <b>Impairment loss</b>		
Goodwill Impairment .....	—	—
Impairment Intangible Assets .....	—	—
Impairment Tangible Assets (see note 16) .....	—	1
	<u>—</u>	<u>1</u>
 <b>Other non recurring charges</b>		
Cancellation of Oriam's Summit participation .....	13	—
Cost related to debt restructuring 2004 .....	—	45
Deconsolidation Real Project SA .....	—	6
Miscellaneous non-recurring charges .....	<u>6</u>	<u>(362)<sup>(2)</sup></u>
	<u>19</u>	<u>(311)</u>

Comments

<sup>(1)</sup> Paid restructuring charges is mainly employee cost, facility cost and settlement cost

<sup>(2)</sup> The company settled a number of disputes for which a provision had been set up in the previous years. These settlement allowed a reversal of the provisions, explaining the negative amount for the miscellaneous non-recurring charges in 2005.

**NOTE 10 — FINANCIAL RESULT**

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
<b>FINANCIAL INCOME</b>		
Interest income from bank deposits .....	92	48
Interest income from financial receivables .....	2	36
Total interest income from financial receivables and cash .....	<u>94</u>	<u>84</u>
<b>TOTAL FINANCIAL INCOME</b> .....	<u>94</u>	<u>84</u>
 <b>FINANCIAL CHARGES</b>		
Interest on subordinated notes .....	(1,469)	(1,998)
Interest on financial leases .....	(185)	(196)
Interest on bank debts .....	(1,047) <sup>(1)</sup>	(129)
Refinancing charges .....	(986) <sup>(2)</sup>	—
Other financial interest expenses .....	(1,841) <sup>(3)</sup>	(2,867)
Amortisation of premiums & issue expenses		
<b>Total borrowing cost</b> .....	(5,528)	(5,190)
<b>Total other interest</b> .....	(179) <sup>(4)</sup>	(315)
<b>Fair value adjustments on financial instruments</b> .....	—	(5)
<b>TOTAL FINANCIAL CHARGES</b> .....	<u>(5,707)</u>	<u>(5,510)</u>
<b>FINANCIAL RESULT</b> .....	<u>(5,613)</u>	<u>(5,426)</u>

<sup>(1)</sup> Mainly related to third party loan

<sup>(2)</sup> Charges for refinancing project are amortised over duration of new loan agreement. Financial charges do include an adjustment of this amortisation for the early repayment of 6M in January 2007.

<sup>(3)</sup> Mainly related to non subordinated loans of the parent company

(3) Interest late payments operating amounts payable.

#### NOTE 11 — INCOME TAX

	<u>31/12/2006</u>		<u>31/12/2005</u>	
	EUR '000		EUR '000	
<b>Recognized in the income statement</b>				
Current tax .....		(962)		(383)
Deferred tax .....		(62)		(298)
		(1,023)		(681)
	<u>31/12/2006</u>	<u>31/12/2006</u>	<u>31/12/2005</u>	<u>31/12/2005</u>
	EUR '000	%	EUR '000	%
<b>Reconciliation of effective tax rate</b>				
Net profit .....	2,311		(10,180)	
Minority interests .....	—		(62)	
Result from companies accounted for using the equity method .....	—		—	
Tax charge .....	(1,023)		(681)	
<b>Profit before tax</b> .....	<u>3,334</u>		<u>(9,437)</u>	
Tax at the domestic income tax rate of 33,99% .....	(1,133)	33.99%	3,208	33.99%
Tax effect of non-deductible expenses .....	(360)	10.81%	(454)	(4.81)%
Non-deductible amortization of goodwill and intangibles .....		0.00%		0.00%
Fiscal losses of the year .....	(466)	13.97%	(3,624)	(38.40)%
Tax effect of tax exempt-revenues .....		0.00%		0.00%
Non-taxable dividends from investments in non-group companies .....		0.00%	—	0.00%
Non-taxable financial and other income .....	950	(28.49)%	144	1.52%
Other .....		0.00%	12	0.13%
Deferred tax effect resulting from a change in tax rates .....		0.00%	(29)	(0.31)%
Tax effect of current and deferred tax adjustments related to prior years .....	—	(0.01)%	57	0.60%
Effect of different tax rates of subsidiaries operating in other jurisdictions .....		0.00%	6	0.07%
Tax effect of utilisation of tax losses not previously recognised .....		0.00%		0.00%
Valuation allowance on deferred tax assets .....	(13)	0.40%		0.00%
<b>Tax expense and effective tax rate for the year</b> .....	<u>(1,023)</u>	<u>30.67%</u>	<u>(681)</u>	<u>(7.21)%</u>
<b>Balance Sheet</b>				
	<u>31/12/2006</u>		<u>31/12/2005</u>	
	EUR '000		EUR '000	
Current income tax liabilities .....		117		233

#### NOTE 12 — EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net result attributable to the Group by the weighted average number of shares outstanding during the year (i.e. shares in issue excluding treasury shares). Diluted earnings per share are calculated by dividing the net result attributable to the Group by the weighted average number of shares outstanding during the year, both adjusted for any effect of dilutive potential ordinary shares.

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR'000	EUR'000
<b>Net profit/(loss) for calculating basic earnings per share (EUR'000)</b> .....	2,311	(10,180)
Effect of dilutive potential ordinary shares (EUR'000) .....	—	—
<b>Adjusted net profit/(loss) for calculating diluted earnings per share (EUR'000)</b> .....	2,311	(10,180)
<b>weighted average number of shares for calculating basic earnings per share</b> .....	212,367,501	182,698,458
Effect of dilutive potential ordinary shares .....	—	—
<b>Adjusted weighted average number of shares for calculating diluted earnings per share</b> .....	212,367,501	182,698,458
<b>Basic earnings per share (EUR)</b> .....	0.01	(0.06)
From continuing operations .....	0.00	(0.04)
From discontinued operations .....	0.01	(0.01)
<b>Diluted earnings per share (EUR)</b> .....	0.01	(0.06)

All shares are ordinary shares; therefore there is no effect on net profit/(loss) in the calculation of earnings per share that would arise from preference shares. The Company has potential shares from the granting of the Warrants 2005 plan (see note 33 on equity compensation benefits).

#### NOTE 13 — GOODWILL

	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>EUR '000</b>	<b>EUR '000</b>
<b>At the end of the preceding year:</b>		
Gross book value .....	72,471	72,471
Accumulated impairment .....	<u>(44,116)</u>	<u>(44,116)</u>
<b>Net book value .....</b>	<b><u>28,355</u></b>	<b><u>28,355</u></b>
Movements during the year:		
Additions .....		
<b>Impairments .....</b>		
Eliminated on disposal .....		
Exchange differences .....		
<b>At year-end .....</b>	<b>28,355</b>	<b>28,355</b>
Gross book value .....	70,952	70,952
Accumulated impairment .....	<u>(42,597)</u>	<u>(42,597)</u>
<b>Net book value .....</b>	<b><u>28,355</u></b>	<b><u>28,355</u></b>

#### **Impairment testing of goodwill**

In accordance with IFRS 3 - Business Combinations, goodwill is no longer amortized but tested for impairment. Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

The value-in-use method discounts projected cash flows based on a yearly financial budget approved by management. Cash flows beyond the year plan are extrapolated using the most appropriate estimated growth which cannot exceed the long-term average growth rate for the business in which the CGU operates. Management determines these assumptions (prices, volumes, performance yields) based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in the industry reports. The discount rate applied to cash flow projections is determined on the weighted average cost of capital (WACC), ranging from 9,63% to 13,05%. The components for the determination of the WACC are based on sector-specific parameters received from various investment banks and analysts and taking into account the current financial position of Real Software.

The impairment test performed in 2006 did not demonstrate any additional impairment losses.

	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Goodwill allocated to geographical segments:		
Luxembourg .....	14,930	14,930
France .....	8,455	8,455
Belgium .....	<u>4,970</u>	<u>4,970</u>
<b>Total carrying amount goodwill .....</b>	<b><u>28,355</u></b>	<b><u>28,355</u></b>

#### **NOTE 14 — PROPERTY, PLANT AND EQUIPMENT**

	<u>Land &amp; Building</u>	<u>Computers &amp; office equipment</u>	<u>Furniture &amp; other</u>	<u>Total</u>
<b>Gross Carrying amount</b>				
At 1 January 2005	7,347	11,576	4,152	23,075
Additions	36	544	143	723
Acquire on acquisition of a subsidiary	—	—	—	—
Exchange differences	—	—	—	—
Disposal of a subsidiary	—	(40)	(19)	(59)
Disposals	—	(3)	(260)	(263)
Reclassified	—	—	—	—
Other	—	—	—	—
At 1 January 2006	7,383	12,077	4,016	23,476
Additions	20	487	211	718
Acquire on acquisition of a subsidiary	—	—	—	—
Exchange differences	—	—	—	—
Reclassified as held for sale	(3,354)	(2,909)	(483)	(6,746)
Disposals	—	—	(461)	(461)
Reclassified	—	—	—	—
Other	—	—	—	—
At 31 December 2006	4,049	9,655	3,284	16,988
Comprising:	—	—	—	—
At cost	4,049	9,655	3,284	16,988
At valuation 2006	—	—	—	—
<b>Accumulated depreciation and impairment</b>				
At 1 January 2005	2,123	10,788	3,419	16,330
Depreciation charge for the year	231	554	274	1,059
Impairment loss recognised in profit	—	—	1	1
Exchange differences	—	—	—	—
Eliminated on disposal of a subsidiary	—	(40)	(19)	(59)
Eliminated on disposal	—	(3)	(252)	(255)
Reclassified	—	—	—	—
Other	—	—	—	—
At 1 January 2006	2,354	11,300	3,423	17,077
Depreciation charge for the year	258	605	161	1,025
Impairment loss recognised in profit or loss	—	—	—	—
Exchange differences	—	—	—	—
Reclassified as held for sale	(1,174)	(2,775)	(391)	(4,340)
Eliminated on disposals	—	—	(411)	(411)
Reclassified	—	—	—	—
Other	—	—	—	—
At 31 December 2006	1,438	9,130	2,783	13,351
<b>Net carrying amount</b>				
At 31 December 2006	2,611	525	501	3,637
At 31 December 2005	5,029	777	593	6,399

Land and buildings consist of property mainly held in Belgium.  
The following rates are used for the depreciation of property, plant and equipment:  
Buildings 5%  
Machinery & Fixtures 10-25%  
Computer & Office equipment 10-33%  
Vehicles 25%

The carrying amount of the Group's fixtures and equipment includes an amount of KEUR 1.656 (2005 : KEUR 1.890) in respect of assets held under finance leases. The leased assets includes mainly buildings (KEUR 1.524) & office equipment (KEUR 132).

The Group has pledged land and buildings having a carrying amount of approximately KEUR 3,240 (2005 : KEUR 3.317) to secure banking facilities granted to the Group.

#### NOTE 15 — INTANGIBLE ASSETS

	<u>Research and Development Costs</u>	<u>Concessions, Patents, Licences etc,</u>	<u>Total</u>
<b>Cost</b>			
At 1 January 2005 .....	—	—	—
Additions .....	107		
At 1 January 2006 .....	107	—	107
Expenditure .....	212		212
Disposals or classified as held for sale .....	(19)		(19)
Transfer to / (from) .....			—
At 31 December 2006 .....	300	—	300
<b>Amortisation</b>			
At 1 January 2005 .....			—
Charge for the year .....	46		46
Impairment losses .....			—
Disposals or classified as held for sale .....	(9)		(9)
Transfer to / (from) .....			—
At 31 December 2006 .....	37	—	37
<b>Carrying amount</b>			
At 31 December 2006 .....	263	—	263
At 31 December 2005 .....	107	—	107

Research and development costs were recorded as expense in the income statement as they are incurred. The creation and development of software involves closely linked research and development phases. As a result, expenses incurred for research phase cannot be clearly distinguished from those incurred in the development phase. As a result, the criteria for the capitalization of development expenses were therefore not met. In 2005 a well distinguished project was identified in the area of ERP-reporting. The activities of the development related to this project amounting up to KEUR 212 in 2006 (2005 KEUR 107) were capitalized as per 31/12/2006.

#### NOTE 16 — SUBSIDIARIES

<u>Name of Subsidiary</u>	<u>Address</u>	<u>Country</u>	<u>31/12/2006 Proportion of Voting Power Held</u>	<u>Proportion of Ownership Interest</u>	<u>Principal Activity</u>
Airial Conseil SA .....	3, rue Bellini F-92806 Puteaux Cedex	France	100%	100%	Software consultancy & supply
Real Services NV .....	Prins Boudewijnlaan 26, 550 Kontich	Belgium	100%	100%	Software consultancy & supply
Real Solutions SA .....	Rue d'Eich 33 1461 Luxembourg	Luxembourg	100%	100%	Software consultancy & supply
Real Software France SA	Rue Péreire 103 F78100 Sain Germain en Laye	France	100%	100%	Software consultancy & supply
Real Software Nederland BV .....	Plotterweg 8 3821 BB Amersfoort	The Netherlands	100%	100%	Software consultancy & supply
Xenia NV .....	Prins Boudewijnlaan 26 2550 Kontich	Belgium	100%	100%	Software consultancy & supply
Oriam SA <sup>(1)</sup> .....	8, Parvis de Saint-Maur 94106 Saint-Maur Cedex	France	100%	100%	Software consultancy & supply
Oriam Corporation Corp. ....	One International Place, Boston, MA 02210 USA	US	100%	100%	Software consultancy & supply

<sup>(1)</sup> the participation increased from 50% to 100%

<u>JOINT VENTURES</u>	<u>Country</u>	<u>31/12/2006 Proportion of Voting Power Held</u>	<u>Proportion of Ownership Interest</u>	<u>Principal Activity</u>	
Supply Chain Software NV .....	Prins Boudewijnlaan 26 2550 Kontich	Belgium	60%	60%	Software consultancy & supply

<u>ASSOCIATES</u>			<b>31/12/2006</b>	<b>Proportion</b>	
<u>Name</u>	<u>Address</u>	<u>Country</u>	<b>Proportion of Voting Power Held</b>	<b>of Ownership Interest</b>	<b>Principal Activity</b>
Tradcom NV .....	Steenweg op Gierle 271 2300 Turnhout, België	Belgium	25%	25%	Internet sales
Eco2B .....	Molenhuizen 25 3980 Tessenderlo, België	Belgium	50%	50%	Dormant company

#### NOTE 17 — INVESTMENT IN ASSOCIATES

	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Cost of investment in associates .....	621	621
Share of post-acquisition profit, net of dividend received .....	(571)	(571)
Total investments in associates .....	50	50

Details of the Group's associates at 31 December 2006 are as follows :

<u>Name</u>	<u>Address</u>	<u>Country</u>	<b>Proportion of Voting Power Held</b>	<b>Proportion of Ownership Interest</b>	<b>Principal Activity</b>
Tradcom NV .....	Steenweg op Gierle 271, 2300 Turnhout	Belgium	25%	25%	Internet sales
Eco2B .....	Molenhuizen 25, 3980 Tessenderlo	Belgium	50%	50%	Dormant company

Summarised financial information in respect of the Group's associates is set out below :

	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Total assets .....	308	300
Total liabilities .....	108	100
Net Assets .....	200	200
Group's share of associates' net assets .....	50	50
Revenue .....	210	210
Profit for the period .....	—	(84)
Group's share of associates' profit for the period .....	—	(21)

#### NOTE 18 — JOINT VENTURES

The Group has a direct 60% share in Supply Chain Software NV, located in Kontich. The Group is entitled to a proportionate share of the income received and bears a proportionate share of the costs.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation :

	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Current Assets .....	1,130	2,386
Non-current Assets .....	76	1,201
Current Liabilities .....	462	1,425
Non-current Liabilities .....	246	260
Income .....	3,331	6,865
Expense .....	(3,187)	(6,440)

#### NOTE 19 — INVENTORIES

	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Raw materials and consumables .....	—	—
Work in progress .....	—	—
Finished goods .....	—	173
Goods purchased for resale .....	667	435
Classified as part of a disposal group held for sale .....	667	608
<b>Inventories</b> .....	(667)	—
	—	608

Finished goods and goods purchase for resale consist of hardware for the points of sale produced by the business-unit retail of the products division.

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
Inventories at cost .....	667	608
Impairment losses .....	—	—
Total inventories at lower of cost or net realisable value .....	667	608
Classified as part of a disposal group held for sale .....	(667)	—
<b>Inventories</b> .....	<b>—</b>	<b>608</b>

#### NOTE 20 — DEFERRED TAXES

##### Recognized deferred tax assets and liabilities

	<u>31/12/2006</u>	<u>31/12/2006</u>	<u>31/12/2005</u>	<u>31/12/2005</u>
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR '000	EUR '000	EUR '000	EUR '000
Intangible assets .....	—	—	—	—
Property, plant and equipment .....	—	—	—	—
Investments .....	—	—	—	—
Inventories .....	—	—	—	—
Receivables .....	—	—	—	—
Other assets .....	—	—	—	—
Other provisions .....	296	—	357	—
Other liabilities .....	—	—	—	—
<b>Total</b> (as shown in the balance sheet) .....	<u>296</u>	<u>—</u>	<u>357</u>	<u>—</u>

##### Tax losses carryforwards by expiration date

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
One year .....	—	—
Two years .....	—	—
Three years .....	—	—
Four years .....	—	—
Five years and thereafter .....	—	—
Without time limit .....	270,547	271,082

##### Deferred tax assets not recognised by the Group apply to the following elements as at December 31, 2006

	<u>Gross amount</u>	<u>Total deferred tax assets</u>	<u>Recognised deferred tax assets</u>	<u>Unrecognised deferred tax assets</u>
	EUR '000	EUR '000	EUR '000	EUR '000
Tax losses brought forward .....	270,547	91,959	2	91,957
Property, plants and equipment .....	—	—	—	—
Employee benefits .....	326	111	111	—
Other provisions .....	2,344	797	183	614
Other temporary differences .....	—	—	—	—
<b>Total</b> .....	<u>273,217</u>	<u>92,866</u>	<u>296</u>	<u>92,570</u>

As of 31/12/06, deferred tax assets of EUR 2 thousand (2005: EUR 2 thousand) are recognised out of EUR 270,547 thousand (2005: EUR 271,082 thousand) tax loss carry forward.

These deferred tax assets represent income likely to be realised in a foreseeable future.

##### Deferred tax liabilities not recognised by the Group apply to the following elements as at 31 December 2006:

No liability has been recognised in respect of the temporary differences associated with undistributed earnings of subsidiaries and joint ventures because the Group is in position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

#### NOTE 21 — TRADE AND OTHER RECEIVABLES

	<u>31/12/2006</u>	<u>31/12/2005</u>
	<u>EUR '000</u>	<u>EUR '000</u>
Amounts receivable from the sale of goods & services .....	29,647	35,127
Amounts due from fixed price contract customers .....	—	
Other Receivables .....	2,024	1,478
Deferred charges and accrued income .....	1,080	950
<b>Trade and other receivables</b> .....	<u>32,751</u>	<u>37,555</u>

Other receivables are mainly related to prepaid taxes.

Deferred charges are mainly related to prepaid expenses on rented cars and insurance premiums.

#### Credit risk

The Group's principal current financial assets are cash & cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

Since 2005 the Trade Receivables of two entities of the group in Belgium and France are prefinanced through factoring. The factoring at the Belgian entity stopped because of the refinancing program with Credit Swiss. In accordance with IAS 32 and 39 the invoices transferred to the factoring companies are still included in the Trade Receivables. As per 31 December 2006 the receivables transferred to the factoring companies amount up to KEUR 4,666 .

The credit risk on liquid funds and derivative financial instruments is limited, as the counterparts are banks with high credit ratings assigned by international credit-rating agencies as well as GTG Inc. Real Software groups major shareholder.

#### NOTE 22 — CASH AND CASH EQUIVALENTS

	<u>31/12/2006</u>	<u>31/12/2005</u>
	<u>EUR '000</u>	<u>EUR '000</u>
Short-term bank deposits — equal or max. 3 months .....	1,818	2,137
Cash at bank & in hand .....	6,493	1,726
<b>Cash and cash equivalents</b> .....	<u>8,311</u>	<u>3,863</u>

Cash and cash equivalents includes cash held by the Group and short-term bank deposits with an original maturity of three months maximum. The carrying amount of these assets approximates to their fair value.

The interest rate on the bank deposits in 2006 was between 2,50% and 3,00% (2005 : 2,01% - 2,20%)

#### NOTE 23 — SHARE CAPITAL

	<u>31/12/2006</u>	<u>31/12/2005</u>
	<u>EUR '000</u>	<u>EUR '000</u>
Share capital issued .....	17,574	11,527
Uncalled share capital .....	—	—
<b>Share capital issued and fully paid</b> .....	<u>17,574</u>	<u>11,527</u>

#### Authorized capital

The board of directors may, within the limits of its powers and within the authorized capital, issue shares, with or without voting rights or with the same or different rights, either preferential or otherwise, as those linked to the existing shares in the company, warrants or convertible bonds.

The authority of the board of directors within the authorized capital is applicable not only for increases in capital by contribution in cash by the existing shareholders in accordance with their preferential right, but also for increases in capital by contribution in kind and increases in capital by contribution in cash with limitation or withdrawal of the preferential right of the shareholders, even in favour of persons who are not employees of Real Software or its subsidiaries.

At the extraordinary general shareholders' meeting held on April 6, 2004, the board of directors has been authorized to increase the Company's share capital with a maximum amount of €11,398,141.42 within the framework of the authorized capital ('toegestaan kapitaal / capital autoriséé'). This authorization has been inserted as article 6 of Real Software's articles of association. The authorization is valid for a term of five (5) years as of the publication thereof in the annexes to the Belgian Official Gazette. The authorization has been published in the annexes to the Belgian Official Gazette on May 7, 2004.

The same extraordinary general shareholders' meeting also authorized the board of directors to increase the company's share capital through contributions in kind or through contributions in cash with cancellation of the preferential subscription right of the shareholders, even for the benefit of the persons who are not members of Real Software's personnel, in the event the board of directors is notified by the Belgian Banking, Finance and Insurance Commission of a public take-over bid on the company's securities. This authorization is valid for a term of three (3) years as of April 6, 2004.

<u>Evolution of authorized capital</u>	<u>Authorized capital (€)</u>
Authorized decided by shareholders' meeting on 6 April 2004 .....	11,398,141
April 25, 2005 Contribution in kind of a receivable of €800,000.00 .....	(100,512)
July 28, 2005 Capital increase under the condition precedent of exercise of the Warrants 2005 .....	(180,478)
May 18, 2006 Capital increase through contribution in kind of a receivable of 2,516,243.22 .....	(479,001)
<b>Status authorized capital as per 31 December 2006 .....</b>	<b><u>10,638,150</u></b>

As at the date of this annual report, the board of directors has still the authority to increase the company's share capital with a maximum amount of €10,638,149.96, excluding issuance premiums, if any. This enables the board of directors to issue a maximum of 169,343,361 shares (at a fraction value of €0.06282 per share to be allocated to the company's share capital, and excluding issuance premiums, if any).

<u>Reconciliation of the number of shares</u>	<u>31/12/2006</u>	<u>31/12/2005</u>
Shares outstanding at 1 January .....	183,487,816	181,448,916
Increase in capital by contribution in kind .....	68,988,100	1,600,000
Conversion of G1-convertible bonds .....	27,273,000	—
Conversion of ACO's .....		438,900
<b>Shares outstanding at 31 December .....</b>	<b><u>279,748,916</u></b>	<b><u>183,487,816</u></b>
<b>SHARE PREMIUM ACCOUNT .....</b>	<b>EUR '000</b>	
Balance at 31/12/2005 .....	419,957	
Premium arising on issue of equity shares during 2006 .....	55,368	
Expense of issue of equity shares during 2005 .....		
Balance at 31/12/2006 .....	<u>475,325</u>	

#### NOTE 24 — RETAINED EARNINGS

	<u>EUR '000</u>
Balance at 1 January 2005 .....	(474,570)
Dividends paid .....	
Profit/(loss) for the year attributable to equity holders of the parent .....	(10,180)
Balance at 1 January 2006 .....	(484,750)
Balance at 1 January 2006 .....	(484,750)
Dividends paid .....	
Profit/(loss) for the year attributable to equity holders of the parent .....	2,311
Balance at 31 December 2006 .....	<u>(482,439)</u>

#### NOTE 25 — BANK OVERDRAFTS & LOANS

	<u>31/12/2006</u>	<u>31/12/2005</u>
	<u>EUR '000</u>	<u>EUR '000</u>
Bank overdrafts .....	4,666	7,070
Other loans .....	745	47,781
Credit Institutions .....	<u>13,303</u>	<u>532</u>
The borrowings are repayable as follows:		
	<u>18,714</u>	<u>55,383</u>
On demand or within one year .....	5,474	15,922
In the second year .....	74	6,064
In the third year .....	71	6,064
In the fourth year .....	64	6,064
In the fifth year .....	12,888	6,064
After five years .....	<u>143</u>	<u>15,207</u>
	<u>18,714</u>	<u>55,383</u>
Less: Amount due for settlement within 12 months (shown under current liabilities) .....	5,474	15,922
Amount due for settlement after 12 months .....	13,240	39,461

Bank overdrafts relates to the factoring facilities that the company currently has in France. In 2005 factoring was done in Belgium and France. Due to the reference shareholders' debt conversion Other loans as per 31 December 2006 only have the 721K Gores bridgeloan. Debt from Credit Institutions is mainly the loan with Credit Swiss and LT building lease. The average interest rates on the bank overdrafts and loans were as follows:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Bank Overdrafts .....	4.00%	4.00%
Other Loans .....	11.62%	5.36%
Credit Institutions .....	16.46%	5.49%

Current bank and other loans are agreed at a fixed rate. The LT debt at credit institutions is arranged at floating rates, thus exposing the Group to Cash flow interest rate risk.

The directors estimate the fair value of the Group's borrowings, by discounting their future cash flows (only for non-current liabilities) at the market rate, to be as follows:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Bank Overdrafts .....	4,666	7,070
Other Loans .....	7,543	42,192

#### Debt Covenants Credit Suisse credit facility

The credit facility that has been put in place by CS is dependant on financial covenants that need to be met during the period of the five year facility. Not meeting the financial covenants is considered as an event of default under which the lender may decide to demand repayment of all or part of the loans. The financial covenants are tested every quarterly on a last twelve trailing months basis and can be reset in case of accepted divestitures. Following covenants are in place

- Interest cover calculated as the ratio of EBITDA before non recurring revenues and expenses (and before consulting fees to related parties and impact of divestitures) to total cash interest cost
- Leverage calculated as the ratio of total net debt to EBITDA before non recurring revenues and expenses (and before consulting fees to related parties and impact of divestitures)
- Cash flow calculated as the ratio of Net cash flow from operating activities to total cash funding costs (including cash interest costs and cash repayments of financial indebtedness)
- Minimum consolidated Turnover
- Maximum capital expenditure
- Employee attrition calculated as maximum % of billable employees and consultants that leave employment in each period of six months

At December 2006 we have met the covenants test and our projections for 2007 indicate no default with the current financial covenants.

#### NOTE 26 — CONVERTIBLE LOAN NOTES

At the extraordinary general meeting on 29 September 2006, the shareholders approved the conversion of the Convertible Bond from the reference shareholder to capital.

#### NOTE 27 — DERIVATIVE FINANCIAL INSTRUMENTS

	<u>31/12/2006</u>		<u>31/12/2005</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	EUR '000		EUR '000	
Interest rate swap (current) .....	—		150	

In 2006 the company has ended the interest rate swap. The contractual expiring date was April 2007.

#### NOTE 28 — OBLIGATIONS UNDER FINANCE LEASE

	<u>Minimum Lease Payments</u>			<u>Present Value of</u>
	<u>31/12/2006</u>	<u>31/12/2005</u>	<u>31/12/2006</u>	<u>Minimum Lease</u>
	EUR '000	EUR '000	EUR '000	<u>Payments</u>
				<u>31/12/2005</u>
				EUR '000
Amounts payable under finance leases:				
Within one year .....	394	394	225	211
Later than one year and not later than five years .....	1,542	1,588	1,011	995
Later than five years .....	<u>1,998</u>	<u>2,371</u>	<u>1,782</u>	<u>2,044</u>
	3,935	4,353	3,018	3,250
Less: future finance charges .....	(916)	(1,104)		
Present value of lease obligations .....	3,018	3,250	3,018	3,250
Less: Amount due for settlement within 12 months (shown under current liabilities) .....			225	211
Amount due for settlement after 12 months .....			2,793	3,039

It is the Group's policy to lease its building at Kontich and certain furniture and equipment under finance leases. The lease term is 15 years for the building, and 10 years for the furniture. For the year ended 31 December 2006, the average effective borrowing rate was ranging from 5,7 to 6,0 per cent (2005: 5,7 — 6 per cent).

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

#### NOTE 29 — PROVISIONS

	<u>Customer Litigation</u> EUR '000	<u>Other litigations &amp; charges</u> EUR '000	<u>Restructuring</u> EUR '000	<u>Total</u> EUR '000
At 1 January 2006 .....	657	1,285	6,795	8,738
Additions of provisions .....	130	470	17	617
Reversals of provisions .....	(56)	(550)	(1,377)	(1,929)
Utilisation of provision .....	(268)	(205)	(2,973)	(3,501)
Reclass to liabilities held for sale .....	—	—	(615)	(615)
At 31 December 2006 .....	<u>463</u>	<u>1,000</u>	<u>1,847</u>	<u>3,310</u>
			<u>31/12/2006</u> EUR '000	<u>31/12/2005</u> EUR '000
Analysed as:				
Current liabilities .....			1,955	6,017
Non-current liabilities .....			1,355	2,721
			3,310	8,738

The customer litigation provision relates to the estimated cost of work agreed to be carried out for the rectification of services delivered. The other litigation provision represents management's best estimate of the Group's liability to former employees/subcontractors/management buy-outs. These amounts have not been discounted for the purpose of measuring the provision for litigations, because the effect is not material.

The €1,8m restructuring provision at year end covers both outstanding disbursements of the restructuring efforts that took place and an additional restructuring effort of which implementation already started in 2006. The provision covers severance payments. This accrual is net of KEUR 615 adjustment under IFRS 5 Discontinued operations.

#### NOTE 30 — CONTINGENT LIABILITIES

The group is exposed to contingent liabilities accounting to KEUR 839 representing various pending litigation and potential legal claims.

#### NOTE 31 — COMMITMENTS

	<u>31/12/2006</u> EUR '000	<u>31/12/2005</u> EUR '000
Guarantees		
Guarantees given to Credit Swiss in respect of facilities utilised by Real Software NV		
First ranking mortgage on Oostkamp facility .....	3,240	1,312
First ranking floating charge over the business .....	31,850	100,000
Pledge on patents and trademarks RLS		
Pledge on shares Real Software, held by Real Holdings		
Pledge on shares held by RLS in its affiliates (Airial, RLS France, RLS Nederland, Real Solutions)		
Pledge on receivables		

#### NOTE 32 — OPERATING LEASE ARRANGEMENTS

	<u>31/12/2006</u> EUR '000	<u>31/12/2005</u> EUR '000
Minimum lease payments under operating leases recognised as an expense in the year .....	3,924	4,242
At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:		
	<u>31/12/2006</u> EUR '000	<u>31/12/2005</u> EUR '000
Within one year .....	3,197	3,394
In the second to fifth years inclusive .....	4,353	3,723

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3-4 years and rentals are fixed for an average of 3-4 years.

## NOTE 33 — SHARE BASED PAYMENTS

### WARRANTS 2005

On July 28, 2005, Real Software created 2,872,943 warrants, named “Warrants 2005” within the framework of a stock option plan for employees of Real Software within the authorized capital. The warrants have been subscribed to by Real Software and can be granted by the company’s appointment and remuneration committee to the relevant beneficiaries. The relevant features of these warrants have been summarized below. The appointment and remuneration committee can provide for other conditions to be set forth in a “stock option agreement” when granting the warrants to the relevant beneficiaries, provided, however, that such other conditions are allowed or permitted under the issuance and exercise conditions of the warrants as determined by the extraordinary general shareholders’ meeting.

- Issue date: July 28, 2005.
- Creation of warrants: the Warrants 2005 have been created by the board of directors.
- Stock option plan: The stock options are issued in the framework of a stock option plan for employees of the company. The stock options are issued in the form of (naked) warrants.
- Number of shares to be issued upon exercise of the warrants: one (1) share per warrant.
- Term of the warrants: maximum five (5) years as of July 28, 2005.
- Shares: the new shares will have the same rights and benefits as the existing shares of the company. The shares will participate in the result of the company as of and for the full fiscal year in which they will be issued. Dividends paid on the shares will benefit from the right to reduced withholding tax rate, i.e. the so-called “VVPR” right. The VVPR right will be represented by a separate strip. The company will request the admission to listing of the new shares and the VVPR-strips to the Eurolist by Euronext Brussels.
- Cancellation of preferential subscription right of the shareholders: The board of directors proposes to cancel the preferential subscription right of the existing shareholders in accordance with article 596 of the Belgian Company Code.
- Allocation of the stock options: The employees of the company who are beneficiary of the stock option plan will be selected by the company’s appointment and remuneration committee.
- Stock option price: the stock options will be offered for free or at such a price as will be provided in the stock option agreement of the selected employee.
- Exercise period: unless the stock option agreement determines a shorter duration, the Warrants 2005 have a term of five (5) years as from the date on which the stock options are issued by the board of directors of the company.
- Exercise price: the exercise price of the Warrants 2005 will be determined by the company’s appointment and remuneration committee and will at least be equal to (i) the average of the closing prices of the share of the company as quoted on the Eurolist by Euronext Brussels or any other regulated or public market on which the shares of the company will then be quoted or traded during the thirty (30) day period, or any other relevant period which is determined by the company’s appointment and remuneration committee, preceding the grant to the selected employee or (ii) the closing price of the share of the company as quoted on Eurolist by Euronext Brussels or any other regulated or public market on which the shares of the company will then be quoted or traded, on the day preceding the day of the grant to the selected employee.
- Increase of the share capital of the company: upon exercise of the Warrants 2005, the share capital of the Company shall be increased with an amount equal to the product of the number of exercised Warrants 2005 and the fractional value of the existing shares. The amount of the exercise price of each Warrant 2005 that exceeds the fractional value of the existing shares, if applicable, must be booked as an issuance premium.

No warrants were accepted upon granting; no potential voting rights are therefor taken into account for the calculation of the transparency denominator.

The table below provides an overview of the warrants at the date of this annual account:

Warrants created .....	2,872,943
Warrants exercised .....	—
Warrants cancelled .....	—
Warrants at the date hereof .....	<u>2,872,943</u>

### CS Warrants

The CS Warrants 2006 (3 naked warrants) were created by the extraordinary general shareholders’ meeting held on September 29, 2006. The warrants have been allocated to Credit Suisse International. In the light of this issuance, the share capital of the Company was increased under the condition precedent and to the extent of the exercise of the warrants by Credit Suisse International.

The relevant features of these warrants have been summarized below.

All CS Warrants 2006 together (whether divided or not) shall give the beneficiary the right to subscribe to a number of newly issued shares of the company equal to 5% of the actual share capital of the company immediately prior to the exercise of the CS Warrants 2006, but, for the purpose of the calculation of such number of shares, it is assumed that all of the CS Warrants 2006 have been fully exercised. Consequently, the calculation base (i.e. the actual share capital) should be increased with maximum 5% in order to calculate the total number of new shares upon exercise of the CS Warrants 2006. Arithmetically this will enable the

acquisition of 5.25% of the share capital upon exercise of all 3 CS Warrants 2006, or 1.75% of the share capital upon exercise of each CS Warrant 2006 individually.

- Issue Date: 29 September 2006
- Creation of the CS Warrants — The CS Warrants have been created by the company's extraordinary shareholders' meeting.
- Term of the CS Warrants — The warrants have a term of (five) 5 years as of their issuance by the Company.
- Division of the CS Warrants — If it is necessary for the application of the tag-along provisions (as explained in Annex A of the special Report of the Board of Directors in accordance with
- Article 583 and Articles 596-598 of the Belgian Company Code) and to the extent that the tag-along right of the beneficiary of the CS Warrants is exercised with respect to a portion of a warrant, the warrant with respect to which such tag-along right is so exercised will be divided into a greater number of warrants, which shall then each replace the former warrant and constitute each a new warrant in accordance with the terms and conditions of the CS Warrants.
- Warrants on shares of the Company — All CS Warrants together (whether or not divided) shall entitle the beneficiaries thereof to subscribe to an aggregate number of newly issued shares of the Company, equal to 5% of the actual share capital of the Company immediately prior to the exercise of the warrant (but, for the purpose of the calculation of such number of shares, assuming that all warrants have been fully exercised).
- Shares of the Company — The new shares issued upon the exercise of the warrants shall have the same rights and benefits as the existing ordinary shares of the Company and shall be entitled to a full dividend for the financial year during which the relevant warrants are exercised. Dividends paid for the shares will not benefit from the reduced withholding tax rate of 15%, the so-called "VVPR" status (verminderde voorheffing / précompte réduit).
- Cancellation of the preferential subscription price of the shareholders — The board of directors proposes to cancel the preferential subscription right of the existing shareholders in accordance with articles 596 and 598 of the Belgian Company Code.
- Allocation of the CS Warrants — The warrants will be allocated to Credit Suisse International
- Issuance price of the CS Warrants — The warrants will be granted free of charge.
- Transferability of the CS Warrants — Each of the warrants is freely transferable.
- Exercise of the CS Warrants — Each of the warrants may be exercised separately at any time between the date of its issuance and the date falling five (5) years thereafter, in accordance with the terms and conditions of the warrants.
- Exercise price of the CS Warrants — The exercise price for each warrant per share to be issued upon exercise of the warrants shall be equal to the average closing price of the share of the Company listed on the Eurolist by Euronext of Euronext Brussels during a period of thirty calendar days prior to the issuance date by the extraordinary shareholders' meeting in accordance with the terms and conditions of the warrants (for information, the exercise price was fixed at €0.73).
- Increase of the share capital of the Company — upon exercise of a warrant, and the issue of new shares in the Company, the exercise price of the warrants will be allocated to the share capital of the Company. To the extent that the amount of the exercise price of the warrant per share to be issued upon exercise of the warrants exceeds the par value (fractiewaarde / valeur fractionnelle) of the then existing shares of the Company existing immediately preceding the exercise of the warrants concerned, a part of the exercise price per share to be issued upon exercise of the warrant, equal to such par value shall be booked as share capital, whereby the balance shall be booked as issuance premium. The issuance premium, if any, shall serve as guarantee for third parties in the same manner as the Company's share capital and shall be booked on an unavailable account that can only be decreased or booked away pursuant to a resolution of a general shareholders' meeting passed in the manner required for an amendment to the Company's articles of association (statuten / statuts).

#### **Expired Warrants 2001**

The Warrants 2001 were created by the extraordinary general shareholders' meeting held on December 21, 2001 within the framework of a share option plan for employees, directors and consultants of the company and its affiliated companies. The warrants had in principle a term of 5 years, starting as of December 21, 2006 and therefore expired all on that date.

#### **Other expired warrants**

Z Warrants: On August 17, 2000, the company created 63,000 new warrants, called 'Z Warrants'. Each warrant entitled the holder thereof to subscribe to one (1) new share in the company at an exercise price of €60.15 per share. The warrants had a duration of one (1) year. None of the warrants were exercised. All warrants expired on September 28, 2001.

Employees' Stock Option Plan: On April 30, 1997, the company created 73,440 warrants with a view to allocating them to personnel. These warrants were linked with 24,480 new shares which were issued at the same general meeting of shareholders as part of an increase in the company's capital. Each warrant entitled the holder thereof to subscribe to ten (10) new shares (taking account of the share split on 27 August 1998 at a rate of 10 new shares per existing share) at a fixed exercise price of €17.2162 per warrant. The warrants could be exercised at any time between 1 January 2002 and 30 April 2002. 71,557 warrants were exercised (as a result of which 715,570 new shares were subscribed to). 1,883 warrants were not exercised, and therefore expired irrevocably on 1 May 2002.

Bank Warrants: On December 21, 2001, the company created 4,000,000 new warrants, called 'Bank Warrants'. These warrants were issued under the terms of the agreement that Real Software reached at the end of 2001 with its bank syndicate relating to the

restructuring of the company's bank debt. All warrants were allocated to the company's bank syndicate. On April 6, 2004, the extraordinary general shareholders' meeting decided — in connection with the purchase of the bank debt by Gores Technology Group, LLC. — to cancel and destroy the 4,000,000 bank warrants, with the consent of their holders.

#### NOTE 34 — RETIREMENT BENEFIT PLANS

##### Retirement benefit schemes

Real Software provides retirement benefits to certain employees in Belgium, France and the Netherlands.

The Belgian pension plans mainly include defined contribution plans which are subject to a minimum guaranteed return. Since those pension plans are funded through insurance contracts which provide a guaranteed return, they have been accounted for as defined contribution plans.

	<u>2006</u>	<u>2005</u>
	EUR '000	EUR '000
The contributions paid in respect of defined contribution plans amount to: .....	54	45

##### Defined benefit plans

The net liability recognized in the balance sheet amount to:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Defined benefit obligation — funded plans .....	846	817
Fair value of plan assets .....	(494)	(413)
Deficit/(surplus) for funded plans .....	352	405
Defined benefit obligation — unfunded plans .....	148	165
Total deficit/(surplus) .....	500	570
Unrecognized past service cost .....	—	—
Unrecognized net actuarial gains/(losses) .....	(55)	(104)
Net liability/(asset) recognized <sup>(1)</sup> .....	445	466

The benefit expense recognized in profit or loss amounts to:

	<u>2006</u>	<u>2005</u>
Current service cost .....	45	42
Interest cost on benefit obligations .....	42	38
Expected return on plan assets .....	(20)	(17)
Past service cost recognized .....	—	—
Net actuarial (gains)/losses recognized .....	(36)	—
Benefit expense .....	30	64

The actual return on plan assets equals:

<u>2006</u>	<u>2005</u>
(18)	(14)

The benefit expense is recognized in the income statement under Employee benefit expenses.

The benefit obligations reconcile as follows:

	<u>2006</u>	<u>2005</u>
Opening defined benefit obligation .....	982	862
Service cost .....	45	42
Contributions paid by employees .....	12	12
Interest cost .....	42	38
Benefits paid .....	—	—
Actuarial (gains)/losses .....	(87)	27
Closing defined benefit obligation .....	994	982

The plan assets reconcile as follows:

	<u>2006</u>	<u>2005</u>
Opening fair value of plan assets .....	413	339
Expected return on plan assets .....	20	17
Contributions paid by employer .....	52	47
Contributions paid by employees .....	12	12
Benefits paid .....	—	—
Actuarial gains (losses) .....	(2)	(2)
Closing fair value of plan assets .....	494	413

The major categories of plan assets as a percentage of total plan assets are:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Insurance contracts .....	100%	100%

The principal actuarial assumptions at the balance sheet date (weighted averages) are:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Discount rate .....	4.46%	4.25%
Expected rate of return on assets .....	4.25%	4.50%
Expected rates of future salary increases .....	4.28%	4.08%

The experience adjustments for the last 2 years are as follows:

	<u>2006</u>	<u>2005</u>
Defined benefit obligation .....	994	982
Fair value of plan assets .....	(494)	(413)
Surplus/(deficit) .....	500	570
Experience adjustments on benefit obligations .....	n.a.	n.a.
Experience adjustments on plan assets .....	(2)	(2)

The expected company contributions for 2007 amount to 55,000 EUR.

(1) Variance with retirement benefit obligation on balance sheet is adjustment for proportional consolidation of joint ventures

Net liability/(asset) recognized .....	445
SCS portion of 296,893 at 40% .....	(119)
	326

#### NOTE 35 — EVENTS AFTER BALANCE SHEET DATE

Real announced on 16 January 2007 the sale of the Retail point-of-sale division to Centric. The decision of Real to divest the Retail point-of-sale business is motivated by the continuing consolidation in the Retail IT market, and the need for scale at a European level to remain profitable and to provide state of the art solutions. In addition, Real Software's core business is providing software related IT solutions comprised of vertical software applications, enterprise solutions and development services in BeNeLux and France. Real's Retail division is built upon the hardware POS (cash register) and its related software and services. Although there is software related to the POS business, its hardware POS does not fit well with Real's IT solutions strategy. As a result of the divestiture, Real will focus all of its energy and efforts on growing its remaining core software IT solutions businesses both organically and through acquisitions or mergers.

Sales price of the transaction was 8,7Mio generating a profit of 2,7Mio before any sales cost or liabilities that did not transfer. The main portion of the proceeds (€8,7m) were used to reduce Real's outstanding debt with Credit Suisse from €13.5m to €7.5m. The sale includes all employees, customer contracts, business assets and facilities related to this activity

#### NOTE 36 — RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party respectively of the Group are Real Holdings LLC and Gores Technology Group LLC incorporated in the United States.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below and concern primarily commercial transactions done at prevailing market conditions.

##### Trading Transactions

	<u>Sale of Goods and Services</u>		<u>Purchase of Goods and Services</u>	
	<u>31/12/2006</u>	<u>31/12/2005</u>	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000	EUR '000	EUR '000
Real Holdings LLC .....			470	1,112
Subsidiaries of Gores Technology Group Associates .....	—	10	—	9
Joint Ventures — non-consolidated part .....	202	662	74	331

Services rendered by related parties were available under the conditions and with the guarantees that are customary on the market for similar transactions.

## Outstanding balances

	Amounts Owed by Related Parties		Amounts Owed to Related Parties	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	EUR '000	EUR '000	EUR '000	EUR '000
Real Holdings LLC .....			2,481	20,738
Subsidiaries of Gores Technology Group .....			76	48,469
Associates .....	—	11	—	—
Joint Ventures — non-consolidated part .....	8	470	9	207

## DIRECTORS

### Direct remuneration

A director's mandate may be terminated ad nutum (at any time), without any form of compensation. The remuneration package of the non-executive directors is subject to approval by the general shareholders' meeting.

According to the Belgian Code on Corporate Governance, the remuneration of non-executive directors should take into account their responsibilities and time commitment, and non-executive directors should not be entitled to performance related remuneration, such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.

During the fiscal year 2006 no remuneration was paid to any director for additional services rendered. As a general rule, the company does not grant benefits of a performance-related nature (such as bonuses, options or pension schemes) to the non-executive directors, whether independent directors or other directors. This principle corresponds with the recommendation in that respect in the Corporate Governance Code.

However, contrary to the Code, the board of directors believes that its non-executive directors should not be remunerated for their mandate, except to the extent that they are an independent director. Accordingly, and as per the recommendation of the appointment & remuneration committee, the compensation consists of the following elements:

- a fixed annual payment per (non-executive) director amounting to €11,800;
- a double compensation for the chairman of the board of directors, provided that he is an independent director, i.e. €23,600 (this was not applicable in 2006);
- a fixed remuneration of €1,200 per meeting of the board of directors and/or sub-committee in which the director concerned participates (reduced to €600 in case of a meeting by teleconference);
- for additional meetings required by the needs of the company, the same variable compensation will be paid.

The non-executive directors' remuneration is calculated per calendar year and paid every half-year. The basis for the calculation of directors' remuneration is the directors' liability, for which a minimum fixed level of remuneration is established. Additionally, active efforts on the part of directors are acknowledged by allocating a fixed remuneration per meeting attended. The calculation is based on an average of eleven (11) meetings of the board of directors and its sub-committees (six (6) board meetings, i.e. one (1) per quarter, one (1) strategic meeting and one (1) budget meeting) and an average of four (4) committee meetings (either audit committee or appointment and remuneration committee), plus one (1) potential additional meeting to deal with additional issues.

The general shareholders' meeting of March 28, 2006 resolved to provide €174,600 for independent directors' remuneration for the fiscal year ending December 31, 2006. The actual cost during the fiscal year 2006 amounted to €139,200 (see table below).

The board proposes to provide €174,600 for independent directors' remuneration for the fiscal year ending 31 December 2007, which is to be approved by the general shareholders' meeting that will take place on 27 March 2007.

The board of directors believes that the remuneration package is justified, as it corresponds to market practice and expectations. In addition, it allows the company to offer an appropriate remuneration to attract and retain experienced independent directors from different economic sectors.

In 2006, the company paid the remaining fees relating to the fiscal year 2005, for a total amount of €225,633.33, to its non-executive directors.

The overall gross remuneration relating to the fiscal year 2006 for the executive and non-executive directors, including fixed, variable and exceptional remuneration, amounted to €886,756.15 of which €753,789.49 was paid in 2006 and the remainder will be paid in 2007. The payments can be allocated as follows:

### Non-Executive Directors

JPD Consult BVBA .....	61,000
DR Associates BVBA .....	43,000
Viscount Etienne Davignon .....	35,200
Other Directors: not applicable .....	

### Executive Directors

Managing Director Peter Op de Beeck BVBA, represented by Peter Op Be Beeck .....	356,158.33
--	------------

The management agreement with Peter Op de Beeck BVBA was terminated on 8 January 2006. The company paid the fee indicated above in execution of the termination and settlement agreement with Peter Op de Beeck BVBA.

**Managing Director Gores Technology Küsnacht Branch, represented by Ashley W. Abdo** ..... 391,397.82

Gores Technology Ltd, Küsnacht Branch succeeded on January 8th, 2006, Peter Op de Beeck BVBA in its capacity of managing director and CEO. The management service agreement between Gores Technology, Ltd, Küsnacht Branch and the company, contains a fixed annual remuneration of €400,000, payable in 12 equal instalments, and an additional fee payment of €275,000 upon achievement of specific targets, determined by the board of directors. The fixed remuneration includes all expenses, except for costs pertaining to telephone, restaurant, lodging, business travel expenses, which will be reimbursed subject to supporting documentation.

#### **Expenses**

In addition to the above remuneration, which applies only to independent directors or executive directors, all directors are entitled to a reimbursement of out-of-pocket expenses actually incurred (e.g. travel or accommodation expenses in connection with airfare, special communication costs, etc.) subject to provision of supporting documentation.

During the fiscal year 2006, a total of €118,290.11 expense notes were reimbursed to directors. The company additionally provides lodging to the CEO-Managing Director in the vicinity of the company headquarters, which entailed a total cost in 2006 of €24,000.

#### **Loans**

Real Software has not made any loans to the members of its board of directors.

### **EXECUTIVE MANAGEMENT**

The remuneration of the executive management is determined by the board of directors upon recommendation by the appointment & remuneration committee, upon recommendation by the CEO.

The remuneration of the executive management is designed to attract, retain and motivate executive managers. The level and structure of the remuneration are subject to an annual review by the appointment and remuneration committee to take into account market practice. The annual review does not provide for mechanisms for automatic adjustments, except as legally required.

The remuneration of the members of the executive management consists of the following elements:

— Each member of the executive management is entitled to a basic fixed remuneration designed to fit responsibilities, relevant experience and competencies in line with market rates for equivalent positions and a variable remuneration which is determined by the board of directors and is in function of company targets and personal management objectives.

— Each member of the executive management may be offered the possibility to participate in a stock-based incentive scheme, in accordance with the recommendations set by the appointment and remuneration committee, after recommendation by the CEO to such committee.

In 2006, the company paid the remainder of bonuses over 2005, for a total amount of €325,750.

The total remuneration relating to the fiscal year 2006 of the executive management team, apart from the CEO (see above), and consisting of the CFO, Operations Manager Retail, Vice President Sales & Marketing, Vice President Advanced Technology Solutions, Vice President International Operations and Secretary General amounted to €1.456.765,22. From this amount, €411.280,02 was variable and is payable as result related bonuses for 2006, of which 89.948,02 was paid in 2006 and the remainder will be paid in 2007.

These amounts are gross amounts exclusive social security contribution for Real Software and all affiliated companies.

#### **Shareholding Share option scheme**

As of the date of this annual report, no shares of the company were held by the members of the board of directors or executive management of Real Software, either independent directors or other directors.

None of the directors, whether independent directors or other directors, nor any member of the executive management currently has share options or warrants in the company.

#### **Loans**

Real Software has not made any loans to the members of its executive management.

## NOTE 37 — DISPOSAL OF BUSINESS

In February 2006, the Group disposed its participation in Stork Real BV and Stork Real Belgium Details of the disposal are as follows :

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
<b>Book value of net assets sold</b>		
Current Assets Cash and cash equivalents .....	—	32
Trade receivables .....	—	1,251
Inventories .....	—	—
Non-current assets		
Property, plant and equipment .....	—	23
Goodwill on consolidation .....	—	—
Current liabilities		
Payables .....	—	(757)
Income tax payable .....		(106)
Non-current liabilities		
Borrowings .....	—	
Deferred tax liabilities .....	—	
<b>Net assets disposed of</b> .....	—	<u>443</u>
<b>Gain on disposal</b> .....		<u>2,313</u>
<b>Cash and cash equivalents</b> .....		<u>2,375</u>

## NOTE 38 — DISCONTINUED OPERATIONS

Real announced on 16 January 2007 the sale of the Retail point-of-sale division to Centric. The decision of Real to divest the Retail point-of-sale business is motivated by the continuing consolidation in the Retail IT market, and the need for scale at a European level to remain profitable and to provide state of the art solutions. In addition, Real Software's core business is providing software related IT solutions comprised of vertical software applications, enterprise solutions and development services in BeNeLux and France. Real's Retail division is built upon the hardware POS (cash register) and its related software and services. Although there is software related to the POS business, its hardware POS does not fit well with Real's IT solutions strategy. As a result of the divestiture, Real will focus all of its energy and efforts on growing its remaining core software IT solutions businesses both organically and through acquisitions or mergers.

The Retail business has been classified and accounted for at 31 December 2006 as a disposal group held for sale. The result of the discontinued operations included in the income statement are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	<u>31/12/2006</u>	<u>31/12/2005</u>
	EUR '000	EUR '000
<b>Profit for the year from discontinued operations</b>		
<b>Operating Revenue</b> .....	13,274	13,482
<b>Turnover</b> .....	13,158	13,272
Other operating income .....	116	210
<b>Operating Charges</b> .....	(11,912)	(13,487)
Purchases of goods for resale, new materials and consumables .....	(2,178)	(3,261)
Services and other goods .....	(2,271)	(2,712)
Employee benefits expense .....	(7,244)	(7,657)
Depreciation and amortization expense .....	(476)	(131)
Provisions and allowances .....	253	339
Other operating expenses .....	4	(65)
<b>OPERATING RESULT before NON-RECURRING</b> .....	<u>1,362</u>	<u>(5)</u>
Non-recurring revenues .....	—	—
Restructuring charges .....	1,172	(1,987)
Impairment loss .....	—	—
Other non-recurring charges .....	(232)	—
<b>OPERATING RESULT (EBIT)</b> .....	<u>2,302</u>	<u>(1,992)</u>
Share of profit of associates .....	—	—
Investments revenues .....	—	—
Financial income .....	—	—
Financial charges .....	—	—
<b>Profit (Loss) before income taxes</b> .....	<u>2,302</u>	<u>(1,992)</u>
Income taxes <sup>(1)</sup> .....	—	—
<b>Profit (Loss) for the year from discontinuing operations</b> .....	<u>2,302</u>	<u>(1,992)</u>

<sup>(1)</sup>No tax charge on discontinued business as discontinued business is mainly part of Real Software NV which is in a tax loss carry forward situation

### Cash flows from discontinued operations

Gross cash flow for discontinued operations in 2006 amounts to €192K. The operational profit amounting to €1362K for the year is reduced with payment of 1170K restructuring cost. Because Retail business was integrated in the BENE operations we can not determine the change in working capital for 2006. With the divestiture we will sell in January 2007 €5.6mio of Retail Assets (mainly AR and Inventory) and reduce liabilities with €2.2mio (mainly remunerations related) resulting in a reduction of NWC by €3.3mio in January 2007. The main portion of the proceeds (€ 8,7m) were used to reduce Real's outstanding debt with Credit Suisse from €13.5m to €7.5m.

The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date are as follows :

	<u>31/12/2006</u>
	<u>EUR '000</u>
<b>ASSETS</b>	
<b>Non Current Assets</b> .....	2,416
Goodwill .....	—
Intangible assets .....	10
Property, plant and equipment .....	2,406
Investments in associates .....	—
Deferred tax assets .....	—
<b>Current Assets</b> .....	3,324
Inventories .....	667
Trade and other receivables .....	2,657
Cash and cash equivalents .....	—
<b>Assets classified as held for sale</b> .....	5,740
<b>Non-Current Liabilities</b> .....	(15)
Convertible loan notes .....	—
Obligations under finance lease .....	(15)
Bank loans and Other Borrowings .....	—
Other non-current liabilities .....	—
Retirement benefit obligations .....	—
Provisions .....	—
Deferred tax liabilities .....	—
<b>Current Liabilities</b> .....	(3,343)
Convertible loan notes .....	—
Obligations under finance lease .....	(6)
Bank overdrafts and loans .....	—
Trade and other payables .....	(2,722)
Current income tax liabilities .....	—
Provisions .....	(615)
Derivative financial instruments .....	—
<b>Liabilities directly associated with non-current assets classified as held for sale</b> .....	3,358

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**REAL SOFTWARE NV**  
**Statutory Auditor's report**  
**on the consolidated financial statements**  
**for the year ended**  
**31 December 2006**  
**Free Translation**

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REAL SOFTWARE NV

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comments.

**Qualified audit opinion on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of REAL SOFTWARE NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 79.405.000 EUR and a consolidated profit (group share) for the year then ended of 2.311.000 EUR.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 19.289 (000) EUR and a total turnover of 44.940 (000) EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

**Free Translation**

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting methods used, the consolidation policies, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

The group recognized in prior book year a restructuring provision for an amount of 2.154.000 EUR for which the recognition criteria applicable to restructurings as defined by IAS 37 are not entirely met. The group maintained in current book year a restructuring provision for an amount of 1.672.000 EUR for which the recognition criteria applicable to restructurings as defined by IAS 37 are not entirely met. Accordingly, the provisions as of 31 December 2006 should be reduced by 1.672.000 EUR and the profit for the year ended 31 December 2006 should be decreased by 482.000 EUR.

In our opinion, subject to the information mentioned in the paragraph above, and based, to the extent necessary, upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2006, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

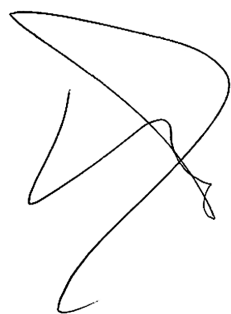
**Additional comment**

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 13 March 2007

**The statutory auditor**

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