
PRESS RELEASE: 2006 FULL YEAR RESULTS

HIGHLIGHTS

Real Software closes year with €2.3m net profit.

- **Net profit improves by €12.6m to a positive result of €2.3m compared with 2005².**
- **Turnaround of operations successful resulting in further improvement of Recurring Operating Result¹ to 4.4% of Turnover on continued Operations.**
- **€60m of shareholder debt converted into equity resulting in €10.5m positive equity after reported net profit in 2006.**
- **Debt will be further reduced by €6.0m to €15.7m, based on reported 2006 results, from proceeds of divestiture of non-strategic Retail division in January 2007.**

Results for year end 2006

in m €	2006 31/dec	2005 ² 31/dec	Variance
Turnover continued operations	90,7	99,8	-9,1
Recurring operating result continued oper. (1)	4,0	0,9	3,1
<i>as % Turnover</i>	<i>4,4%</i>	<i>1,0%</i>	<i>3,4%</i>
Operating result continued operations	6,6	-2,3	8,9
Net profit (loss) for the year	2,3	-10,3	12,6
Net Operating cash flow	-2,4	1,5	-3,9
Equity	10,5	-53,4	63,9
Debt	21,7	73,6	-51,9

- **Turnover continued operations**

Group turnover in 2006 was €90.7m, a decrease of 9.2% compared to 2005² reflecting continued rationalization of the business that took place in 2005 and through 2006. Turnover in the Products segment is 3.9% below last year, which is considerably better than the 10.9% decline experienced in the first half, despite the rationalization of the product portfolio that has taken place last year. Services are 10.9% below last year, in line with decline reported in first half, reflecting rationalization that has taken place and difficulties to recruit services professionals in the first half of 2006.

- **Recurring Operating result¹ continued operations**

Recurring operating result¹ for 2006 was €4.0m or 4.4 % of Turnover. Compared to 2005² this is an improvement of over 300%. This results from the improvement plans implemented in

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

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

2005 and continued through the first quarter of 2006 resulting in better operational margins in the Products division and lower overhead.

Compared to last year recurring operating result in the Products division has improved from - 4.3% to 11.4% of Turnover and Corporate Overhead has been reduced from 3.6% to 2.9% of Turnover. The lower revenues in Services have put margins under pressure but the business rationalization that took place in 2006 should lead to improved margins in 2007.

Segment information € million	2005 ²				2006			
	Products	Services	Corporate	Group	Products	Services	Corporate	Group
Turnover	25,6	74,3		99,9	24,6	66,2		90,7
Recurr. oper.result (footnote 1)	-1,1	5,7	-3,6	1,0	2,8	3,8	-2,6	4,0
%	-4,3%	7,7%	-3,6%	1,0%	11,4%	5,7%	-2,9%	4,4%

- **Operating result continued operations**

The operating result for 2006 was €6.6m which is €8.9m better than 2005² due to a €3.1m better recurring operating result, €4.7m lower non-recurring costs, mainly restructuring charges and €1.3m higher non-recurring revenues. Restructuring plans provided for in 2005 have resulted in the expected improvements in both Corporate Overhead and the Products division. Non-recurring revenues in 2006 include a €2.1m benefit due to the divestiture of Real's interest in the joint venture, StorkReal, compared to a €1.1m favourable settlement reported in the first half of 2005².

- **Net Profit total group**

Net Profit for 2006 is €2.3m which is €12.6m better than last year due to the €8.9m improvement in operating result for continued operations explained above and €4.3m of additional profit on discontinued operations which is partly offset with €0.4m higher income tax and €0.2m higher financial cost.

The divestiture of the Retail point-of-sale business in January 2007 has allowed a release of €1.2m of restructuring provisions in 2006 compared to a €2.0m build up of restructuring provisions at the end of 2005 adding up to an improvement year over year of €3.2m. The improvement plans that have been rolled out in the Retail point-of-sale business resulted in an additional improvement of €1.4m in recurring operational result. This has been partly offset with a €0.3m impairment on Retail point-of-sale business assets in anticipation of the divestiture transaction completed in January 2007.

The financial charges of €5.7m include a €0.9m accelerated write down of refinancing cost and €0.2m early repayment fee because of the €6.0m repayment of bank debt in January 2007 following the divestiture of the Retail point-of-sale business. Finally, Income taxes are €0.4m higher than last year due to the improved results in our foreign affiliates.

- **Net Operating Cash Flow**

Net Operating Cash Flow for 2006 was €2.4m negative despite a €2.7m positive gross operating cash flow mainly due to €3m pay out of restructuring charges and a €5.9m catch up of payables which are partly offset with lower working capital needs due to lower revenues. This is €3.9m below 2005² despite last years' negative gross operating cash flow because of

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

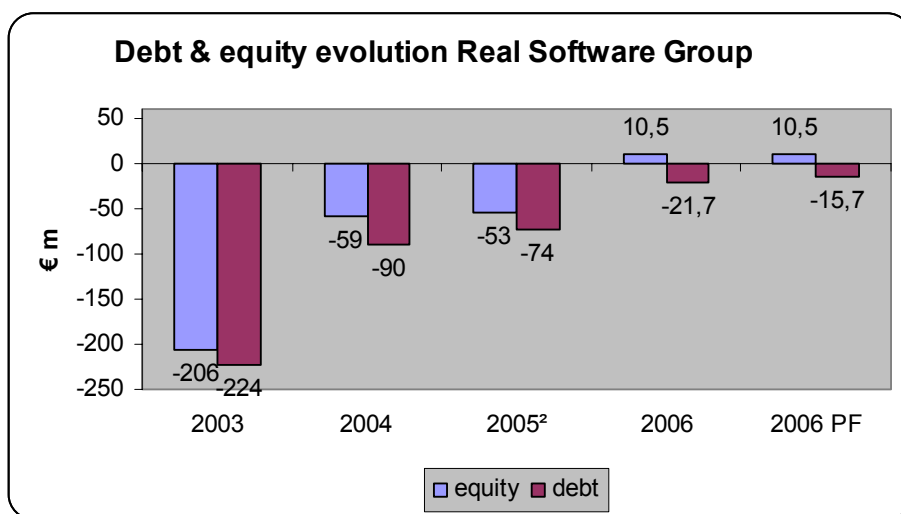
the exceptional payments for restructuring and payables indicated above. Total cash movement for 2006 was a positive €4.4m.

- **Equity / Debt**

Equity at end of 2006 was €10.5m, €63.9m better than year end 2005². At the extraordinary general meeting on 29 September 2006, the shareholders approved a €59.8m contribution of debt to capital from the reference shareholders confirming the successful turnaround of the company. Other events that impacted the equity position are the settlement in March 2006 of a long standing dispute resulting in the contribution in kind of a receivable against Real Software NV of €2.5m and the acquisition by Real Software NV of remaining outstanding shares of Oriam SA on 1 December 2006 reducing equity with €0.7m. Additionally, Real Software reported a €2.3m profit that was included in retained earnings.

Debt at end of 2006 was €21.7m, €51.9m below year end 2005² due to reference shareholders' debt conversion of €59.8 and the settlement of a €2.5m dispute mentioned above. Together with this debt conversion Real obtained a new loan of €13.5m from Credit Suisse, replacing €3.9m of existing short term debt and adding incremental working capital to the company. Additionally, Real Software obtained a €0.7m bridge loan from its reference shareholder Real Holdings, LLC in first half of 2006.

In January 2007 Real reported a €6.0m repayment of its Credit Suisse debt as a result of the divestiture of Real's non strategic Retail point-of-sale business division. This will reduce Real's debt from €21.7m at the end of 2006 to €15.7m based upon 2006 year end numbers resulting in lower financial costs in 2007.



- **Headcount**

As of 31 December 2006, the Real Software Group had 968 employees compared with 1.115² employees on 31 December 2005. This reduction in headcount results from implementation of improvement plans and the lack of successful recruiting during first half of the year needed to compensate for loss of services associates during the same period.

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

- **Events subsequent to 31 December year close**

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 main portion of the proceeds were used to reduce Real's outstanding debt with Credit Suisse from €13.5m to €7.5m.

- **Prospects for 2007**

The announced €60m de-leveraging of the balance sheet and simultaneous improvement of equity is the final cornerstone in the turnaround of Real Software. The focus is now on further optimization of operations and driving growth both through direct sales efforts and acquisitions and mergers.

- **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.

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>31/12/2006</u> EUR '000	<u>31/12/2005</u> EUR '000	Pro Forma (1) <u>31/12/2005</u> EUR '000
CONTINUING OPERATIONS			
Operating Revenue	91.448	103.804	100.918
Turnover	90.741	102.672	99.824
Other operating income	707	1.132	1.094
Operating Charges	-87.495	-102.554	-99.969
Purchases of goods for resale, new materials and consumables	-6.920	-8.394	1.622
Services and other goods	-25.657	-31.280	-32.540
Employee benefits expense	-54.506	-61.448	-67.800
Depreciation and amortization expense	-594	-928	-1.044
Provisions and allowances	513	639	978
Other operating expenses	-331	-1.142	-1.184
OPERATING RESULT before NON-RECURRING	3.952	1.250	949
Non-recurring revenues	2.461	1.184	1.184
Restructuring charges	251	-4.744	-4.744
Impairment loss	0	-1	-1
Other non-recurring charges	-19	311	311
OPERATING RESULT (EBIT)	6.645	-1.999	-2.300
Share of profit of associates	0	-21	-21
Investments revenues	0	0	0
Financial income	94	84	84
Financial charges	-5.707	-5.510	-5.510
Profit (Loss) before income taxes	1.032	-7.445	-7.746
Income taxes	-1.023	-681	-575
Profit (Loss) for the year from continuing operations	9	-8.126	-8.321
Discontinued Operations			
Profit for the year from discontinued operations	2.302	-1.992	-1.992
Profit (Loss) for the year	2.311	-10.118	-10.313
Attributable to:			
Equity holders of the parent	2.311	-10.180	-10.375
Minority interest	0	62	62
EPS (in Euro)	<u>31/12/2006</u> 0,01	<u>31/12/2005</u> -0,06	

(1) restated for divestiture of participation in Stork Real JV on 1 January 2006

Consolidated Balance Sheet for the year ended 31 December 2006

	<u>31/12/2006</u>	<u>31/12/2005</u>	Pro forma (1)
	EUR '000	EUR '000	<u>31/12/2005</u>
			EUR '000
ASSETS			
Non Current Assets	32.603	35.284	35.261
Goodwill	28.357	28.355	28.355
Intangible assets	263	107	107
Property, plant and equipment	3.637	6.399	6.376
Investments in associates	50	65	65
Deferred tax assets	296	357	357
Current Assets	41.062	42.026	40.743
Inventories	0	608	608
Trade and other receivables	32.751	37.555	36.304
Cash and cash equivalents	8.311	3.863	3.831
Non Current Assets as held for sale	5.740	0	0
Total Current Assets	46.802	42.026	40.743
TOTAL ASSETS	79.405	77.310	76.004
EQUITY AND LIABILITIES			
Shareholder's Equity	10.461	-53.266	-53.709
Share capital	17.574	11.527	11.527
Share premium	475.325	419.957	419.957
Retained earnings	-482.438	-484.750	-485.193
Amounts recognised directly in equity relating to non-current assets classified as held for sale			
Equity attributable to equity holders of the parent	10.461	-53.266	-53.709
Minority interest	0	317	317
TOTAL EQUITY	10.461	-52.949	-53.392
Non-Current Liabilities	17.715	60.697	60.697
Convertible loan notes	0	15.000	15.000
Obligations under finance lease	2.794	3.039	3.039
Bank loans and Other Borrowings	13.240	39.461	39.461
Other non-current liabilities	0	0	0
Retirement benefit obligations	326	475	475
Provisions	1.355	2.721	2.721
Deferred tax liabilities	0	0	0
Current Liabilities	47.871	69.562	68.699
Convertible loan notes	0	0	0
Obligations under finance lease	224	211	211
Bank overdrafts and loans	5.474	15.922	15.922
Trade and other payables	40.101	47.030	46.273
Current income tax liabilities	117	233	127
Provisions	1.955	6.017	6.017
Derivative financial instruments	0	150	150
Liabilities directly associated with non-current assets classified as held for sale	3.358	0	0
Total Current Liabilities	51.229	69.562	68.699
TOTAL LIABILITIES	68.944	130.259	129.396
TOTAL EQUITY and LIABILITIES	79.405	77.310	76.004

(1) restated for divestiture of participation in Stork Real JV on 1 January 2006

Consolidated Cash Flow Statement for the year ended 31 December 2006

	<u>31/12/2006</u> EUR '000	<u>31/12/2005</u> EUR '000	Pro forma (1) <u>31/12/2005</u> EUR '000
EBIT (2)	8.947	-3.991	-4.293
Depreciation and amortisation	1.070	1.059	1.044
Impairment losses on assets	0	1	1
Write-offs on assets	0	0	0
Value adjustments of financial investments	0	0	0
Changes in provisions	-5.133	-248	-314
(Gains) / Losses on disposals of assets	-2.161	0	0
Income from associates	0	0	0
Gross Operating Cash Flow	2.723	-3.179	-3.562
Changes in working capital	-5.171	4.661	5.104
Net Operating Cash Flow	-2.448	1.482	1.542
Income taxes paid	-1.077	-150	-150
Net Cash Flow from Operating Activities	-3.525	1.331	1.392
Interest received	94	84	84
Dividend received	0	0	0
Capital Increase	61.099	16.413	16.413
Increase / Decrease of loans	-51.880	-16.385	-16.385
Increase / Decrease of receivables	0	0	0
Investments in intangible assets	-275	-107	0
Investments in property, plant and equipment	-605	-723	-821
Acquisitions of investment property	-2	0	0
New investments in associates	15	-0	0
Disposals of intangible assets	0	0	0
Disposals of property, plant and equipment	45	8	0
Disposals of investment property	2.116	0	0
Disposals of investments available for sale	0	0	0
Net Cash Flow from Investment Activities	10.607	-709	-709
Interest paid	-2.634	-1.992	-1.992
Dividend paid	0	0	0
Increase / Decrease financial liabilities proceeds	0	0	0
Increase / Decrease financial liabilities repayments	0	0	0
Cash Flow from Financing Activities	-2.634	-1.992	-1.992
Effect of exchange rate changes			
Effect of change in scope of consolidation			
Changes in Cash and Cash Equivalents	4.448	-1.370	-1.309
Net cash position opening balance	3.863	5.233	5.140
Net cash position closing balance	<u>8.311</u>	<u>3.863</u>	<u>3.831</u>
Total Cash movement	4.448	-1.370	-1.309

(1) restated for divestiture of participation in Stork Real JV on 1 January 2006

(2) variance with operating result on Income Statement is impact of IFRS 5 Discontinued operations

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>
Balance at 1 January 2005	11.399	403.672	0	-474.348	255	-59.022
Effect of changes in accounting policy	(1)		15.613	-222		
As restated	11.399	403.672	15.613	-474.570	255	-43.631
Net profit/(loss)				-10.180	62	-10.118
Gains (losses) not recognised in income statement (specific by nature)						0
Transfer to income statement						0
Deferred taxes						0
Dividends						0
Change in scope of consolidation						0
Transfer within equity			-15.613			-15.613
Capital Increase	128	16.285				16.413
Other						0
Balance at 1 January 2006	11.527	419.957	0	-484.750	317	-52.949
Effect of changes in accounting policy						
As restated	11.527	419.957	0	-484.750	317	-52.949
Net profit/(loss)				2.311	0	2.311
Gains (losses) not recognised in income statement						0
Transfer to income statement						0
Deferred taxes						0
Dividends						0
Change in scope of consolidation	(2)	317			-317	0
Transfer within equity	(2)	-1.030				-1.030
Capital Increase		6.047	56.264			62.311
Other	(3)	-182	0		0	-182
Balance at 31 December 2006	17.574	475.326	0	-482.439	0	10.461

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

(2) In June 2006 the group has come to an agreement in principle with the minority shareholders to purchase the remaining 50% stake in it's subsidiary Oriam SA before the end of the year.

(3) cost of capital increase

Report statutory auditor

Real Software NV

The statutory auditor confirmed that his audit work, has been finalized in-depth. The opinion of the statutory auditor on the consolidated financial statements as of 31 December 2006, will be qualified as follows:

- ▶ The group recognized in prior book year a restructuring provision for which the recognition criteria applicable to restructurings as defined by IAS 37 are not entirely met. Accordingly the provisions as of 31 December 2005 should be reduced by EUR 2.154.000 and the loss for the year ended 31 December 2005 should be decreased by EUR 2.154.000.
- The group recognized in the current book year a restructuring provision for which the recognition criteria applicable to restructurings as defined by IAS 37 are not entirely met. Accordingly the provisions as of 31 December 2006 should be reduced by EUR 1.672.000 and the profit for the year ended 31 December 2006 should be increased by EUR 1.672.000.

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

26 February 2007
Deloitte Bedrijfsrevisoren
BV ovve CVBA
Represented by William Blomme - Partner

For more information, please contact:

REAL SOFTWARE

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

About Real Software

Real Software is an ICT solutions company with approximately 1000 customers in the Benelux countries and France. The company offers its customers innovative and applied business solutions to help them achieve their objectives of growth and profit. Real Software provides both custom-made solutions and standardized applications in specific vertical markets such as industry, textiles, public and financial services, wholesale and life sciences. With approximately 1000 highly-skilled ICT professionals, Real Software is one of the leading ICT solutions providers in the Benelux and France. The headquarters are located in the vicinity of Antwerp (Belgium). For more information, visit www.realsoftwaregroup.com.