Annual Report | 2010

Exact Holding N.V.

And it all comes together.

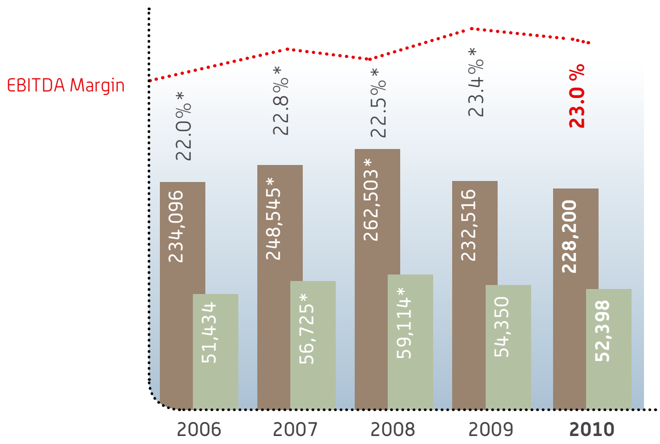
Annual Report | **2010**

Exact Holding N.V.

Highlights

Revenue and profitability

(in € thousands)



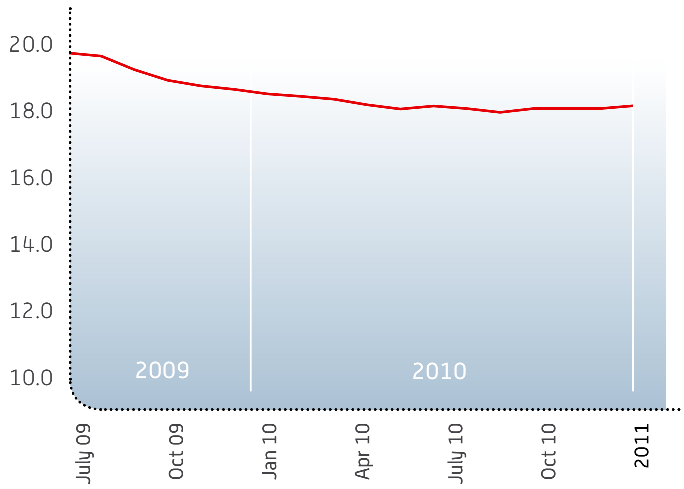
*at constant currencies (using 2010 rates as base)

Revenue EBITDA

The business climate in which we operate gradually improved during 2010, resulting in a return to overall revenue growth in H2 2010.

Revenue development

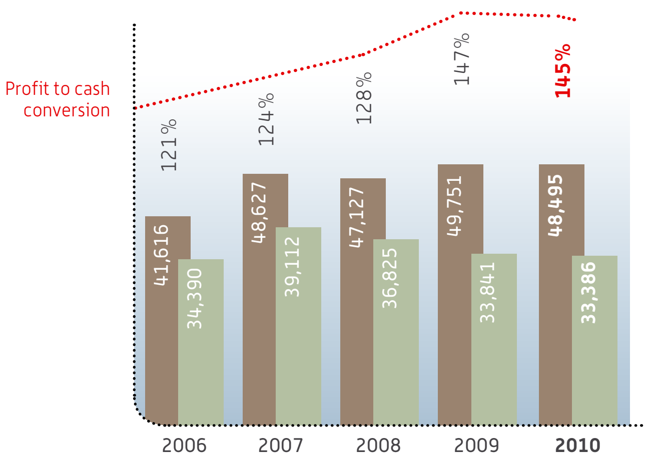
(in € millions)



Moving annual average per period.

Profit to cash conversion

(in € thousands)

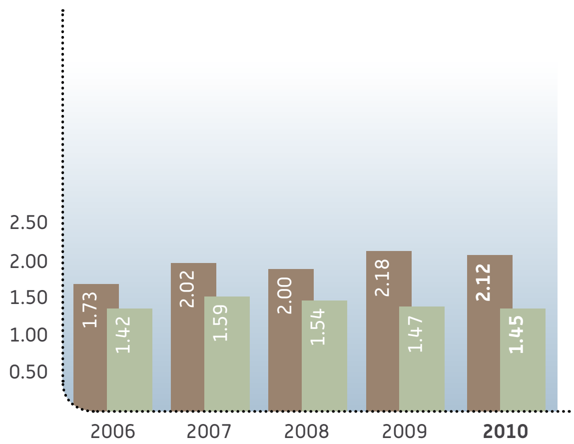


Operating cash flow Net income

The operating cash flow decreased bij 2.5% to 48.5 million representing a profit to cash conversion of 145%.

Diluted earnings per share (EPS)

(in €)



Cash EPS EPS

Key figures

(in € thousands)	2010	Change	2009	2008	2007	2006
Revenue						
Licenses	**54,971**	0.7%	54,600	74,257	77,399	71,351
Maintenance	**133,974**	(0.4%)	134,539	129,630	125,213	123,780
Services	**39,255**	(9.5%)	43,377	57,086	49,497	46,934
Total revenue	**228,200**	(1.9%)	232,516	260,973	252,109	242,065
EBITDA	**52,398**	(3.6%)	54,350	58,203	57,036	52,583
Operating income (EBIT)	**41,754**	(8.7%)	45,729	49,373	49,792	45,909
Net income	**33,386**	(1.3%)	33,841	36,825	39,112	34,390
Operating cash flow	**48,495**	(2.5%)	49,751	47,127	48,627	41,616
Employees (FTE)						
Average number of employees	**2,124**	(10.1%)	2,362	2,569	2,609	2,644
Number of employees at year end	**1,867**	(15.4%)	2,208	2,417	2,682	2,591
Balance sheet facts						
Total assets	**239,031**	3.8%	230,251	238,561	275,024	280,648
Short-term investments, cash and equivalents	**58,098**	18.8%	48,915	44,744	69,031	127,813
Total equity	**146,221**	5.5%	138,562	139,383	165,643	184,703
Net working capital (including cash)	**20,736**	35.1%	15,351	18,150	42,212	105,893
Ratios (%)						
EBITDA margin	**23.0%**	(0.4 pts.)	23.4%	22.3%	22.6%	21.7%
EBIT margin	**18.3%**	(1.4 pts.)	19.7%	18.9%	19.8%	19.0%
Net income margin	**14.6%**	-	14.6%	14.1%	15.5%	14.2%
Current ratio (including cash)	**1.2**	6.1%	1.2	1.2	1.5	2.3
Return on equity	**23.5%**	(1.0 pts.)	24.5%	24.2%	22.1%	19.0%
Figures per share						
Average number of shares outstanding (in thousands)						
Basic	**22,815**	(0.0%)	22,815	23,618	24,032	24,032
Diluted	**22,822**	(0.0%)	22,815	23,618	24,032	24,032
Earnings per share						
Basic	**€ 1.45**	(1.4%)	€ 1.47	€ 1.54	€ 1.59	€ 1.42
Diluted	**€ 1.45**	(1.4%)	€ 1.47	€ 1.54	€ 1.59	€ 1.42
Share price at year end	**€ 20.55**	10.5%	€ 18.60	€ 13.18	€ 24,77	€ 24.48
Dividend per share	**€ 2.02**	37.4%	€ 1.47	€ 1.56	€ 1.59	€ 1.42
Dividend return (based on year-end share price)	**9.8%**	1.9 pts.	7.9%	11.8%	6.4%	5.8%

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1 Report of the Board of Managing Directors

We have shifted our focus from recession management to profitable growth. We used 2010 for getting back in shape to return to profitable growth.

The Board of Managing Directors

"In line with the market trends and the outcome of the strategic review, we will change our focus to three selected verticals."

Martijn Janmaat | CEO

"In 2010 we changed the strategic direction which we believe will bring Exact back to organic growth."

Max Timmer | CFO

Martijn Janmaat

Chief Executive Officer
Member Board of Managing Directors

Year of birth: 1954
Nationality: Dutch
Number of shares: 0

On August 23, 2010 Martijn Janmaat was appointed CEO and member of the Board of Managing Directors of Exact during an Extraordinary General Meeting of Shareholders. Prior to joining Exact, Mr. Janmaat gained broad experience in leading software manufacturers to international commercial success. After a career as a lawyer in the public sector and as a management consultant with FME Association, Mr. Janmaat held various management positions in the Dutch software industry, including CEO of HCS Computer Graphics, director of HCS Automation Services Group, CEO of NedGraphics Holding N.V., change manager at IBFD and most recently president and CEO of BlueCielo Holding B.V.

Mr. Janmaat holds a masters degree in business law as well as public law from the University of Leiden, the Netherlands.

Martijn Janmaat was a member of Exact's Supervisory Board from April 23, 2009 until July 31, 2010.

Max Timmer

Chief Financial Officer
Member Board of Managing Directors

Year of birth: 1967
Nationality: Dutch
Number of shares: 5,000

Max Timmer joined Exact in 2010 as CFO and is member of the Board of Managing Directors. Before joining Exact, Mr. Timmer was CFO of Leaf International B.V., a spinoff of CSM founded in 2005 by CVC Capital and Nordic Capital. Prior to this position he was responsible, as general manager of operations, for the supply chain of Leaf in Italy. Before joining Leaf, Mr. Timmer held various finance positions with CSM N.V., the most recent being vice president of finance & information of the sugar confectionary division. Mr. Timmer started his professional career in 1990 with Gilde Investment Management.

Mr. Timmer holds a master's degree in econometrics from the Erasmus University in Rotterdam, the Netherlands.

1.1 Letter from the CEO

Dear customers, shareholders, colleagues and partners,

The year 2010 was a year of change for Exact, internally as well as externally. Looking at the market conditions and landscape, we saw a gradual improvement of the global economy after the 2008-2009 recession. The overall ERP market (2008: USD 23.8 billion) is forecasted to grow with low single digit figures in the period 2011-2013, and the market growth for ERP solutions for small (under 20 FTE) and midsize (between 20 and 100 FTEs) companies is expected to exceed the growth of ERP solutions for large companies. The market growth of SaaS applications is expected to exceed any other ERP solution.

Internally we have shifted focus from recession management to sustainable, profitable organic growth. After a few years during which we focused on EBITDA and cash flow protection, we spent 2010 getting the company back in shape to return to profitable organic growth.

"Our ambition is to be a global leader in delivering software for small to medium-sized businesses."

We went through a number of management changes in 2010. First, after having started on January 1, 2010, Max Timmer was appointed CFO in the General Meeting of Shareholders in April 2010. On July 1, 2010 Raj Patel announced his decision to step down as CEO and was succeeded as of August 1, 2010 by me.

In the summer of 2010 we initiated a strategic review. The review focused on strenghtening our market position, especially in the Netherlands, restoring organic growth and becoming a more market-driven company. The results of the strategic review were presented internally in November 2010 and externally in December 2010. We started to execute and implement the recommendations of the strategic review on January 1, 2011.

The review showed that as a company, we need to better respond to the key trends in the ERP software market. These key trends are (1) verticalization, which requires deeper industry-specific functionality in our solutions; (2) globalization, where small and medium-sized companies can become global players; and (3) an increased demand for SaaS and hosted ERP applications, whereby a customer does not need to own infrastructure and has flexibility in terms of access to the application and financial commitment. There will be a gradual transition to full SaaS-based propositions with opportunities in the transition phase for hybrid solutions. At the same time the demand for alternative pricing models will increase, as customers become less willing to make an upfront investment in license fees.

We believe that these trends offer considerable opportunities for us. In line with the market trends and the outcome of the strategic review, we will shift our focus to three selected verticals: manufacturing, wholesale and distribution, and professional services. We will further invest in and differentiate our SaaS offering Exact Online; and realign our cross-border ERP go-to-market. On top of that we will become more market driven and our global strategy will be based on a set of global propositions with tailor-made go-to-markets in selected regions: the Benelux, Americas and International. The global propositions will be served by global business lines based on our existing products.

Our ambition is to be a global leader in delivering software for small to medium-sized businesses. Driven by superior customer insight, we will be a preferred supplier for ERP solutions for the manufacturing, wholesale and distribution, and professional services segments in the mid-market. For this mid-market, we will offer an increasing number of SaaS-based and hybrid solutions, next to our on premise solutions. For the ERP market for small companies we will offer leading edge SaaS-based solutions.

The review also concluded that we had lost some market share in the Netherlands to other Dutch players because we had lost contact with our customers. Customers felt we were not providing sufficient value for money, especially with respect to some older product lines. We have already taken action and will update a number of our products in 2011 and increase our investments in research and development (R&D). The investments will focus on modernizing our products, further commercializing Exact Synergy, offering more hosted and pay per use versions of some of our products, as well as adding specific functionalities to better tailor the products to market demand. Next to that, we will communicate product roadmaps more clearly, so users of any Exact product know what they can expect from us in the future.

We will also focus on a number of carefully selected strategic verticals: manufacturing, wholesale and distribution, professional services, small and medium-sized enterprises, and accountants. Within these markets we will target a number of selected verticals, often in close cooperation with our resellers. The solutions for the selected verticals in the strategic market verticals will be developed based on market demand and market needs. This requires a change in our organization. We therefore introduced a matrix structure with business lines, stretching over all regions and linking marketing and product development to create solutions.

We believe SaaS is the future for ERP software companies. With Exact Online we have a powerfull solution for the lower end of the market. Exact Online has grown rapidly since its introduction in the Benelux and served over 53,000 commercial administrations by the end of 2010. The strategic review showed us that we need to distinguish Exact Online as three separate offerings: Exact Online Easy for companies with two to five employees; Exact Online SME for companies with up to 25 employees, and Exact Online for Accountants. We are currently developing these offerings and expect to introduce them in the Benelux in 2011. Once we have gained experience with the offerings, we will look at introducing Exact Online in other international markets.

The 2010 results in EMEA and APAC clearly show that we need to change our route to market in some of the countries in which we operate. The strategic review showed that our approach of targeting multinational companies with a combination of Exact Globe and Exact Synergy is successful. However, we lost our focus in recent years and parts of our international subsidiary network increasingly began targeting local customers as well. Our Exact Globe and Exact Synergy propositions are not the best of fits for such customers, especially versus local alternatives.

In the future we will focus on targeting the headquarters of medium-sized multinational companies in headquarter-rich countries, namely the Netherlands, Germany, France, the United Kingdom and the United States. Analysis showed that 80% of the subsidiaries of these headquarters are located in ten countries in which we operate. We will continue to operate our own subsidiaries in these countries and we will serve customers in other countries from regional hubs. In the headquarter-rich countries we will increase sales and marketing resources and focus on the cross-border ERP approach, offering the same solutions for the selected market sectors.

"We believe that SaaS is the future for ERP companies."

We have started to restructure our subsidiary network, which has resulted in the closure of some country operations. We expect to conclude this operation in the third quarter of 2011. Sadly, it is impossible to avoid redundancies in countries in which we close subsidiaries and we are sorry that we have had to let go of colleagues. We have made sure that the restructuring is handled professionally and in line with our company values.

In 2010 we changed the strategic direction of the company and targeted clearly defined goals, which we believe will bring Exact back to sustainable profitable organic growth, further strenghten our position in the market for ERP SaaS solutions for small and medium-sized companies and create a clear market position in the selected verticals. We will closely monitor the process and ensure that the restructuring interferes as little as possible with ongoing business.

On behalf of the management team, I would like to thank our loyal, committed and passionate employees. They made the results and achievements of 2010 possible. I would especially like to thank our customers and partners for their continued trust and loyalty. In addition, I would like to thank our works council and Supervisory Board for their constructive contribution and continued support. Last but not least, I would like to thank our shareholders for their ongoing support and commitment.

We are looking forward to an exciting 2011.
Martijn Janmaat, CEO

Martijn Janmaat | CEO

"Our approach to becoming more market driven is based on selecting three market verticals on which we will focus our development and go-to-market."

Strategy

The global small business ERP market is expected to grow 11% faster than the overall ERP market. The market is characterized by the fragmentation of the vendor landscape and quickly changing customer needs. To be successful in the future, we will need to provide more verticalization, in other words: more, and more extensive, industry-specific functionality.

Our DNA statement

Our entrepreneurial roots and mindset drive us to serve entrepreneurial businesses with information technology since 1984. We support customers in being in control of their business and in having the freedom to concentrate on what is important to them.

Based on our DNA we have identified four business cornerstones with which we help our customers.

PEOPLE

People are unique. They possess knowledge and constantly have ideas.

COLLABORATION

When people work together, it enables them to exchange knowledge and develop their ideas further, or get even more ideas.

STRUCTURE

A solid structure enables people to collect all knowledge and ideas and organize them in a meaningful and productive way.

RESULTS

With structured knowledge and information, value is created. This added value enables the business to sustain itself, and inspires people to develop better ideas.

Medium-sized and small businesses choose ERP solutions primarily on the ability to support their specific business processes. We see more and more that these companies prefer not having to manage the technical infrastructure where the ERP solution runs on.

We therefore believe that SaaS-based solutions (software as a service) for small companies in the SMB segment will grow considerably in the future. Hosted or SaaS-based propositions, in which software is run not at the customer's site but is provided as a service from a data center run by a software vendor or hosting provider, are already growing more rapidly than expected. And the differentiating factor among online offerings is increasingly weighted towards the usability and look and feel of the online ERP offerings.

Focus on becoming more market driven

Our approach to becoming more market driven is based on selecting three market verticals on which we will focus our development and our go-to-market: manufacturing, wholesale and distribution, and professional services. We will address these markets globally. For the lower end of the SMB market, we will focus on providing a horizontal offering and treat accountants as a separate customer base.

We will increasingly focus on attracting new customers to generate organic growth and increase our customer base. Regarding our current customer base, we will focus prodominantly on creating more value in our maintenance services.

Propositions lead instead of products

To ensure we address the specific needs of our chosen market segments better, propositions (which for us are: a subset of products or functionalities that meet market demand), not products, will be given the lead role in the future. We will focus on creating global propositions that we will take to market in our regions, and these global propositions will be served by global product lines.

Our typical customer

Our sweet-spot customer has from 2 to over 100 employees. For customers with over 25 employees, we will offer global propositions based on a vertical approach, so reflecting the clear need of these companies to support their specific primary business processes. The vertical propositions we will focus on globally will be manufacturing, wholesale and distribution, and professional services. For those customers with less than 25 employees, we will offer Exact Online Easy and Exact Online SME (small to medium enterprise). We will also launch a specific online proposition for accountants.

Differentiating Exact Online

While Exact Online has enjoyed great success, we see a developing market need for more targeted online offerings in the lower segment of the SMB segment. Starting this year, we will therefore offer Exact Online in three propositions.

Exact Online Easy, which is closest to the current Exact Online, will be targeted at companies with 2-5 employees and sold via an online direct go-to-market strategy.

Exact Online SME will be targeted at companies with 5–25 employees and will include the new Logistics module for wholesale customers, and Time & Billing module for professional services customers. The go-to-market for Exact Online SME will be via both our direct sales force and resellers. Finally the online proposition for accountants will be further extended with specific functionality.

Although we believe that Exact Online has the potential to be rolled out internationally, we will limit the introduction of the new Exact Online propositions to the Dutch and Belgian markets in 2011. This will enable us to test them in the Benelux region first.

Addressing the needs of international SMB companies

The current EMEA and APAC proposition is focused on SME companies with 5–10 international subsidiaries and is positioned horizontally as “supporting international businesses”. Reflecting the market requirement to support specific vertical business processes, the future proposition will be aligned with the new global vertical propositions. For example, we will offer a specific manufacturing proposition for manufacturing companies that operate internationally.

Global approach demands global structure

In line with our new approach we will establish a new function, global business lines, to ensure clear accountability and responsibility for the different global propositions. These global business lines will enable us to build up and concentrate expertise in specific market segments and propositions. They will also be the formal owners of the various propositions and responsible for understanding the market segments and specific customer needs. They will translate these needs into market requirements.

Global propositions supported by global product lines

We also analyzed Longview, Exact Lohn and Orisoft to establish if they could be leveraged as well, either as part of our range of global product lines or as part of our customer base via cross-selling global product lines. Based on their low leverage potential, and Exact’s need to focus and need for a clear profile, we have decided to treat Longview, Lohn and Orisoft as separate products serving specific needs. We will run them as standalone businesses.

Working in an ecosystem

In addition to the above, we will continue to pursue an ecosystem/partner services approach for our chosen propositions. The goals with this are to broaden and strengthen our offerings, show innovation and create excitement, build market reach, and generate revenue (distribution fees). The current integrations with banks, tax authorities, fuel cards and credit checking are good examples of this strategy. We will also target the integration of specific vertical and other functionalities, most likely from smaller vendors that have limited market reach on their own. We are already working in the Netherlands, and to some extent in the United States, on engaging our partner channel even more.

We will take a number of vertical proposition initiatives with partners in the Benelux in 2011, and will invest more in joint marketing with our partners.

Finally, if no strong partners exist, we will pursue a number of vertical segments with our own, dedicated sales force.

Our goal

We will focus on achieving market leadership in the Benelux among companies with 2–100 employees and operating in the manufacturing, wholesale and distribution, professional services and small businesses verticals. We also aim to achieve a top-three position in the accountants market.

In the Americas and EMEA/APAC we seek a top-three position in sub-segments of the manufacturing, wholesale and distribution, and professional services verticals. For international companies, the target group comprises companies with around 100 employees and 5–10 subsidiaries. For the Americas the target group comprises of companies with 15–100 employees.

Paul Ramakers | Global Business Line Director

"We will continue to invest in modernizing, integrating and maintaining our global product lines."

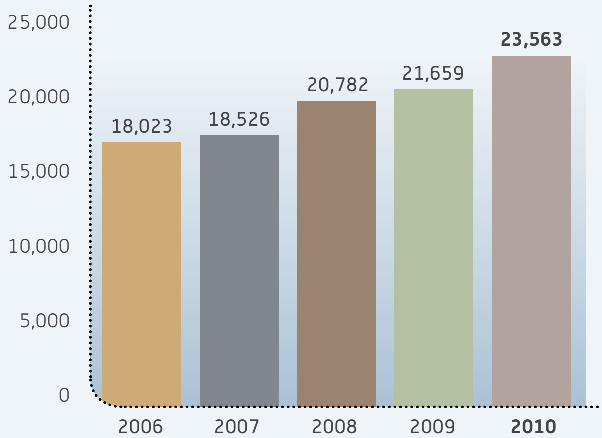
Products

Having decided on our global propositions, we looked at our global product lines and chose the ones that were or could be made global in support of this strategy. Those products are Exact Globe, Exact Synergy, Exact Online, Exact JobBOSS, Exact MAX and Exact Macola.

Research and development expenses

	2006	2007	2008	2009	Change	2010
R&D expenses in € thousands	18,023	18,526	20,782	21,659	8.8%	23,563
R&D expenses as % of total revenue	7.4%	7.3%	8.0%	9.3%	1.0 pts.	10.3%

Research and development expenses
(in € thousands)



Development of R&D expenses

Our R&D spending increased on a year-on-year basis as percentage of revenue as well as in absolute terms. The R&D expenses increased to 10.3% (2009: 9.3%) of revenue representing an amount of € 23.6 million (2009: € 21.7 million).

Increased product investment

To maintain and improve our competitive position, we will increase our investments in R&D for the global product lines. This year we will focus on adding specific vertical functionalities to Exact Globe, Exact Synergy, Exact JobBOSS, Exact MAX, and Exact Macola, as demanded by the global vertical propositions.

In addition, we will continue to invest in modernizing, integrating and maintaining our global product lines. The further commercialization of Exact Synergy will form part of this. Exact will start to offer ASP (hosted application service provider) pay-per-use versions of both Exact Globe and Exact Synergy, and will consider doing so for Exact JobBOSS, Exact MAX, and Exact Macola. The hosted versions can consist of the entire Exact Globe and/or Exact Synergy solutions or specific modules only.

We will also further develop the Exact Online product line/SaaS platform. Exact Online Payroll was launched in the middle of 2010. Early 2011 the new Logistics and Time & Billing modules will be launched as part of the Exact Online SME proposition. Modules to follow are CRM and manufacturing, potentially based on the functionality of Exact JobBOSS. The number of integrations, plus the ease of integration with other systems, will be enhanced for third party SaaS solutions as well as on-premises solutions such as POS (point of sale) systems. As this build-out progresses we will increasingly start to offer hybrid solutions comprising a combination of on-premises Exact Globe, Exact Synergy, Exact JobBOSS, Exact MAX, and Exact Macola modules, combined with SaaS-based modules.

Finally, we will focus on creating a flexible, service-oriented software architecture foundation. This will allow for innovative, market-driven solution development; seamless communication and integration between our various product lines; and it will enable more agile, dynamic, and cost-effective delivery models. In the future, this platform should enable us to use standard components to build propositions for any market segment.

Product development

Looking back at 2010, product developments included a better integration of Exact Globe and Exact Synergy, including a new user interface for Exact Synergy, plus a single sign-on functionality for Exact Online, a continued focus on fast technology adoption, including supporting Microsoft Office 2010 and multiple browsers. We also launched a mobile application for Exact Synergy targeted at CRM application users, integrated Microsoft reporting services, a standard method of reporting in the SMB market, and established a user experience team with the aim to function as a strategic discipline.

In 2011 our product development efforts will focus on creating more Exact Globe and Exact Synergy-based propositions such as service management , Time & Billing, Make to Order and B-2-B e-commerce portal. We will also introduce Exact 2011, the next generation of Exact Globe to be supplied to customers with a maintenance contract which will contain Exact Synergy functionality; a new menu; an enhanced dashboard and enhanced reports, events, and triggers, to meet one of the key trends in ERP. Finally, we will introduce an iPhone application in Exact Online and Exact Synergy as well as basic CRM functionality in Exact Online.

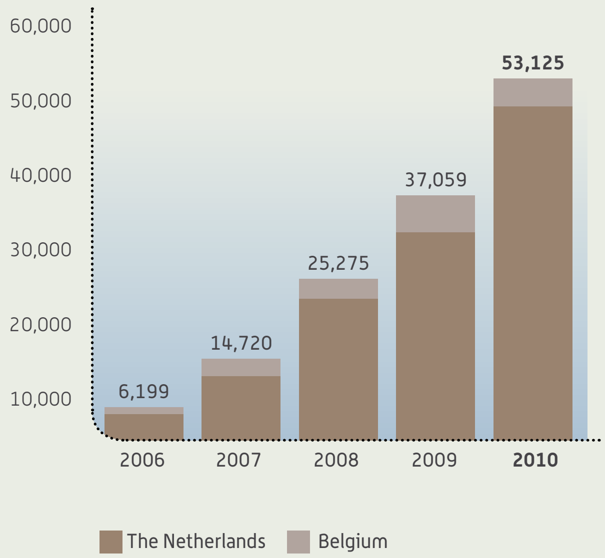
The product organization

In order to become more market driven, we have established a solution architecture organization as a strategic discipline and functionalized the technology organization. We will also increase our R&D spending within Exact and with outsourced partners to increase flexibility and agility, and to respond faster to market demands focusing on our global product lines. Becoming market driven from a product perspective also will impact the way we manage our product development. For our global product lines (Exact Globe, Exact Synergy, Exact Online, JobBOSS, MAX and Macola) we will manage these departments globally.

Exact **Online**

The total number of commercial administrations being accounted with Exact Online rose to more than 53,000 by the end of 2010, an increase of 43%. The rapid expansion further demonstrated Exact Online's ability to handle large quantities of secure data with ease. The payroll module was introduced in the Netherlands for accountants and it is now supporting over 70 collective labor agreements. A number of accounting firms like Deloitte started working with Exact Online and are using it in an integrated way via single sign on and a strategic part of their accountancy portal. Additional partnerships with ABN-AMRO, MKB Brandstof and Graydon in Belgium were established to support wider integration of external administration activities. New propositions specifically targeted to wholesale and professional services were introduced in controlled release, while existing customers benefitted from a new, easier, more efficient user interface.

Total number of Exact Online commercial administrations in the Benelux



Source of measurement is changed from number of databases to commercial administrations.

Exact **Synergy**

The roadmap for the year 2010 has been created with a strong focus on the customers' needs and requirements. The main efforts have been put on the focus areas: professional services organizations, user experience and mobile. In order to automate key processes of professional services companies we developed a time and billing solution in Exact Synergy and used our global distribution network to leverage the solution worldwide. Taking into consideration that the demand for more intuitive and simple user interface constantly grows, we have delivered a new design that is simple, modern and makes Exact Synergy a more desirable product where people recognize the business processes they are involved in their daily work. In the area of mobility we have enabled Exact Synergy for access from any mobile device, with processes specifically designed to serve the needs of mobile users. Moreover, next to these main focus areas we continued to serve organizations with solutions that add additional value to their operations, such as integration with Microsoft SQL Reporting Services, the de facto standard in reporting for small and medium sized businesses, to offer reports that transform valuable enterprise data into information for timely decision processes.

Exact **Globe**

With a strong focus on our cross-border ERP strategy we strengthened our offering by providing numerous enhancements in legislations and adopting international trends such as SEPA, E-invoicing and XBRL. Moreover, a lot of attention has been paid to central master data management, which supports companies with multiple divisions in centrally maintaining data in order to improve efficiency and to optimize data quality. Customers' improvement suggestions form an important source for functional enhancements within Exact Globe and optimize our alignment to market needs. Therefore, amongst many others, we made it possible to improve control and flexibility by assigning new roles and rights and thanks to new work-in-progress cost and revenue methods customers have a better overview during their reporting process. In addition, we have also enriched the design of the Exact Globe user interface with a new skin to improve the efficiency and increase the user experience.

Local **products lines**

To protect our customers' investments in the various local Exact back office products, continuous efforts and investments were made in enriching the functionality of these solutions to ensure customer retention and satisfaction. Wherever possible, in the interest of the customer and Exact, migration paths from local to corporate product lines have been offered so that customers can benefit from the global scale of products like Exact Globe and Exact Online.

Our local product lines

- Exact AEC
- Exact Alliance
- Exact Business Analytics
- Exact Compact
- Exact Cubic
- Exact Dimoni
- Exact Financials
- Exact LAR
- Exact ProAcc
- Exact LohnXL/XXL
- Orisoft

Jeroen Bruins Slot | Human Resources Director

Human Resources

"For us, diversity is one of our greatest strengths."

After two years in which the number of employees fell significantly, 2010 was a year of consolidating and getting the fundamentals in place for the years to come. We formed a new recruitment team and we began reviewing and updating our Job House. The rationalization of Exact's EMEA and APAC subsidiary network will result in compulsory redundancies in some countries and increased staffing levels in others.

Employee diversity

Exact has a diverse and multicultural workforce of 48 different nationalities employed in 40 countries throughout the world. For us diversity – creating a dynamic and inspirational environment – is one of our greatest strengths. The gender ratio is 62% male and 38% female. Women currently hold 23% of the management positions. More than 43% of the employees are under the age of 35.

Employees per discipline

(in full time equivalents (FTE))

	2010 Average	2009 Average	Change	2010 At year end	Change	2009 At year end
Sales and Marketing	414	463	(10.6%)	363	(14.2%)	423
Customer Services	849	951	(10.7%)	718	(20.8%)	907
Research and Development	487	519	(6.1%)	456	(9.9%)	506
Operations Support	330	374	(12.0%)	290	(9.4%)	320
General Management	44	55	(20.1)%	40	(23.1%)	52
Total	**2,124**	**2,362**	**(10.1%)**	**1,867**	**(15.4%)**	**2,208**

The total number of employees decreased by 15% in 2010, mainly as a result of the divestment of Siigo in October 2010.

Attract and retain

The total number people employed by Exact declined in 2010 from 2,208 full-time equivalents (FTEs) to 1,867 FTEs, a fall of 15%. This was mainly caused by the divestment in October 2010 of Siigo, in Colombia. Without this, the total number of employees declined by 1%.

Looking at employment trends overall, we see that as the global economy gradually improves, employee mobility is increasing again. This is especially apparent in Asia. The global salary freeze implemented by Exact in 2009 and 2010 made it more challenging to retain employees in some countries.

To further professionalize and structure recruitment within Exact, and to ensure a proper basis for post-crisis recruitment, we formed a new recruitment team at corporate level. The team started by focusing on recruitment for corporate functions and subsequently expanded to include recruitment for the organization in the Netherlands. The recruitment processes in the Americas and APAC regions have being aligned with the corporate process and the team will also start to align recruitment in the EMEA region during the course of 2011. In 2011 recruitment will focus on attracting and retaining the right people to execute our company's new strategy.

Strategic review

Exact conducted a strategic review in the second half of 2010. The aim was to restore profitable organic growth and turn Exact into a more market-driven company. In the strategic review, employees from all levels of the organization participated in various project teams. The works council was informed and involved throughout the process. The Executive Committee communicated frequently via webcasts, video messages, portal messages and chat sessions to ensure all employees worldwide were kept up to date about the progress of the strategic review. The active involvement of, and the frequent communication with, the entire organization resulted in a relatively short process and the buy-in for the outcome of the review. The final results were presented internally in mid-November, and externally at the beginning of December.

Going forward the focus will be on developing and marketing propositions for selected verticals. As a result, a matrix structure has been introduced. In addition to the current vertical regional setup, which is supported by a corporate infrastructure (Human Resources, IT, Marketing, Technology, Legal and Finance), we will introduce horizontal business lines. The business lines will be primarily responsible for introducing the different propositions for the selected verticals. This will be done in close cooperation with Technology

Employees per region in fulltime equivalents (FTE)

	2010 At year end	2009 At year end	Change	2010 Average	2009 Average	Change
Americas	277	306	(9.5%)	282	333	(15.3%)
APAC	195	204	(4.4%)	197	220	(10.5%)
Corporate	81	68	19.1%	79	71	11.3%
Development	277	285	(2.8%)	283	302	(6.3%)
EMEA	520	519	0.2.%	525	559	(6.1%)
Longview	158	159	(0.6%)	164	157	4.5%
Netherlands	359	347	3.5%	358	390	(8.2%)
Siigo	0	319	(100.0%)	236	330	(28.5%)
Total	**1,867**	**2,208.0**	**(15.4%)**	**2,124**	**2,362**	**(10.1%)**

The increase in the number of employees at corporate level is the result of functionalizing the marketing functions and shifting some activities from the regions to corporate. In the Netherlands the number of employees increased despite the divestment of some non-core activities, mainly in sales and sales support.

and Marketing. The business lines will be staffed as the propositions are developed.

Another conclusion of the strategic review was that we need to improve effectiveness and address the lack of critical mass and route to market of Exact's propositions in the EMEA and APAC subsidiary network. The resulting rationalization will lead to the closure of a number of our smaller subsidiaries worldwide, which will lead in turn to compulsory redundancies. In some cases, where we cluster operations in a hub country, we can offer a limited number of employees alternative employment in the hub country. Our pledge to employees affected by this restructuring is that we will ensure a due and proper process, in line with local legislation and our company values.

At the same time, the rationalization will also lead to an increase in the number of people we employ. In the remaining international country operations, especially in the headquarters-rich countries (the Netherlands, the United Kingdom, France, Germany, and, from 2011 onwards, the USA) we will extend our employee base, quantitatively and qualitatively, with a clear emphasis on sales and marketing positions.

Attracting and retaining the right people for our operations globally will be the primary focus for Human Resources in 2011.

Employee diversity

Exact has a diverse and multicultural workforce of 48 (2009: 51) nationalities employed in 40 (2009: 40) countries worldwide. For us, diversity – creating a dynamic and inspirational environment – is one of our greatest strengths.

The gender ratio is 62% (2009: 61%) male and 38% (2009: 39%) female. Of the total number of management positions, 23% (2009: 27%) are currently held by women. More than 43% (2009: 55%) of employees are under the age of 35. Exact offers all applicants and employees equal opportunities regardless of age, gender, race or religion.

With regard to performance-related remuneration, our policies encourage employees to increase their productivity and rewards them for this. The percentage of variable payment in 2010 amounted to 16.2% (2009: 14.7%) of the total wage bill.

In 2010 the percentage of absenteeism due to illness was just as low as in 2009, between 2% and 3%. Additionally, no employees (2009: 0) left the organization as a result of occupational disabilities.

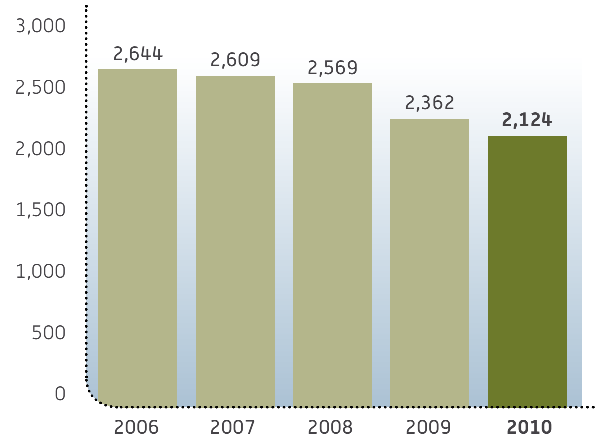
Continued investments in training and education

As in previous years, we continued to invest in employee training and education in 2010. The Exademy, our Corporate Center of Learning, continued to provide

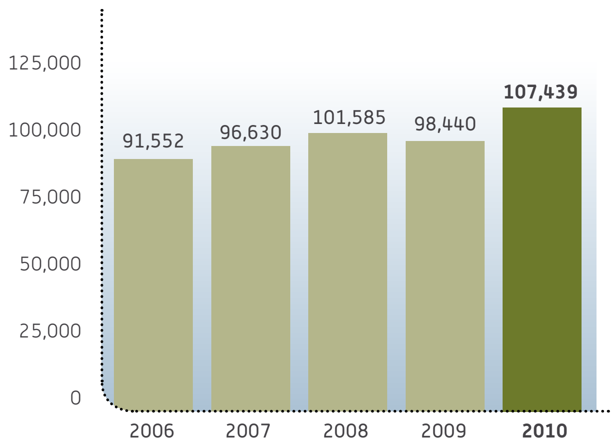
Employee developments

	2006	2007	2008	2009	2010
Average number of employees (FTE)	2,644	2,609	2,569	2,362	2,124
Total revenue per employee (in €)	91,552	96,630	101,585	98,440	107,439
EBITDA per employee (in €)	19,887	21,861	22,656	23,010	24,669

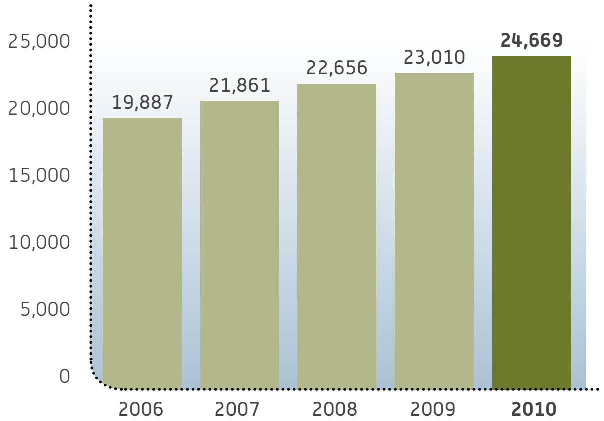
Average number of employees (FTE)



Total revenue per employee



EBITDA per employee



In 2010 the revenue per employee as well as the EBITDA per employee increased.

its boarding program, Exact's central introductory program for all new employees. The program was reviewed and aligned with the conclusions of the strategic review at the end of 2010. The Exademy also provided special programs on corporate product lines and strategy and trained employees regarding our corporate identity, which was launched in November 2009. In December 2010 and January 2011 the Exademy, together with Itasc, a Dutch organization specialized in leadership training, provided training courses to all management worldwide to improve the quality of the year-end performance reviews.

Job House 2.0

During 2010 we initiated a review of our Job House. The Job House was introduced in 2007 and having seen little change since, it no longer matched all aspects of our day-to-day practices. Together with a sounding board of employees and works council representatives, all the individual components of the Job House are being reviewed and updated where necessary.
During the review the Job House was aligned with the new organizational structure that resulted from the strategic review, and elements that had not been updated over the past year were added. The convention covering job titles was reviewed, job levels were added to increase the career possibilities within the company, and job descriptions were enriched. The revised Job House will be implemented in 2011.

Jeroen Bruins Slot | Compliance Officer

"We continually invest in the development of our employees, enabling them to enhance their careers."

Corporate Social Responsibility (CSR)

Following the formalization of our approach to corporate social responsibility (CSR) at the beginning of 2010, we devoted the rest of the year to further structuring our CSR initiatives. For example, we started to raise awareness about CSR topics within Exact and established mechanisms and tools to measure and monitor the CSR targets that will be formulated for each of our CSR pillars: People, Planet, and Community Engagement.

Our view on CSR

Our approach to CSR remains practical and realistic. We do want to take responsibility for the impact of the decisions we make and the actions we take as a company, not only in terms of the impact on our stakeholders, but also on the environment and global society.

Our approach to CSR revolves around three pillars: People, Planet, and Community Engagement. For each of these pillars, dimensions such as "facilitate", "reduce", and "improve" will be defined.

Definition of Exact's CSR pillars and dimensions

People: Our social responsibility to our employees as people who are a part of our ecosystem with appropriate staffing, rewarding, and training and development.

Planet: Our social responsibility for our impact on the environment today and the footprint we leave in the future.

Community Engagement: Our social responsibility to and support for entrepreneurship throughout global society.

Within our three-pillar CSR strategy, we define the ability to affect change according to the following dimensions:

Facilitate: Support our customers and as a result the broader community. Our solutions can help to support customers if they want to be more socially responsible.

Reduce: Continually strive to reduce any negative impact on people, the planet and in the community, both locally and globally.

Improve: Define clear goals to achieve a positive impact and effect positive change for people, the environment, and throughout all communities.

CSR activities in 2010

People

Our employees are our most important resource and the driving force behind achieving our objectives. In order to create an environment in which every employee is inspired to achieve personal and professional growth, Exact recognizes human resources as a strategic discipline. We continually invest in the development of our employees, enabling them to enhance their careers and professional performance, and education and training are more important than ever. Education and training are provided by the Exademy, Exact's Corporate Center of Learning.

New employees follow the Exademy's boarding program, conducted at our headquarters in Delft, the Netherlands. In 2010 the boarding program was reviewed and aligned with the revised strategic focus of the company. In addition, the Exademy offers a range of knowledge-focused training courses such as product and solution training, skills training, and management training to our employees globally. We plan to further increase the number of training courses offered to our employees in 2011.

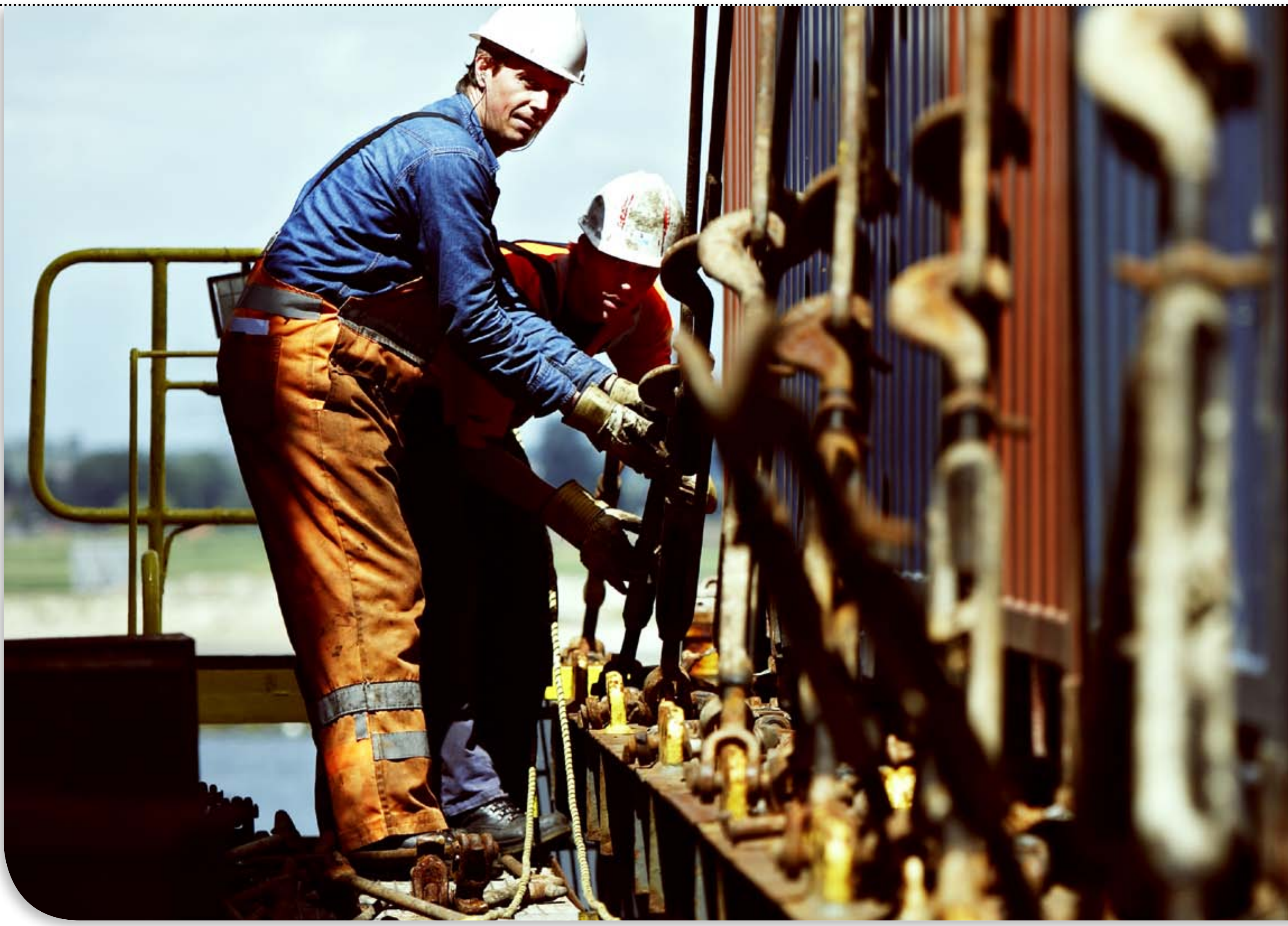
Following the move to our new corporate headquarters in Delft, we have introduced the concept of "home away from home" at our headquarters. With many places to meet people, excellent facilities including a restaurant, bar and gym, and with open and transparent work places, we have created a less formal and non-traditional work environment that clearly energizes and inspires the people who work there.

We believe we should measure our employees based on their output and not on their presence in an office building. We believe in working independent of time and place; in other words, our employees, in consultation with their managers, can determine when and where they work. At the same time, we encourage personal communication and interaction between our employees and therefore stimulate our employees to use the office as a meeting place. We will introduce and roll out these concepts globally in the course of 2011.

Planet

We have developed solutions that help our customers run their companies more responsibly in terms of the planet. A few examples:

- Exact Globe and Exact Online offer electronic invoicing and electronic banking; Exact Synergy facilitates thousands of businesses worldwide in storing and transferring their information digitally, reducing their use of paper and so the related waste.
- Our products connect offices worldwide seven days a week, 24 hours a day, enabling employees to collaborate without traveling.
- Our logistics solutions help support customers' supply chains and decrease transportation costs and CO^2 emissions.



An integral part of our business strategy is to develop innovative and flexible software solutions that both change the way people collaborate and enable businesses to pursue environmentally friendly practices at the same time. By their nature, our own operations have a limited negative impact on the environment. However, we also recognize that we need to control our consumption of natural resources and reduce waste and emissions in our daily operations. We therefore strive to do business digitally. By distributing our solutions over the internet, and by distributing business material digitally, we minimize the use of the resources that are required to produce printed materials.

Paper and plastic waste are disposed of separately and recycled properly. Obsolete electronic devices are refurbished or disposed of responsibly. We encourage our people to reduce business travel by using teleconferencing technology. Giving our people the flexibility to work from home reduces home-office travel, while online communication systems allow uninterrupted contact with other colleagues, both inside and outside the office. Our company car policies have been revised and have limited the choice of new cars to low-CO^2-emission models (categories A and B under European Union legislation). Over the next few years, our car fleet will come to consist of more environmentally friendly cars.

We were closely involved in the design of our new corporate headquarters, to which we moved in April 2010. The building, which was built to our specifications, was designed to have minimal impact on the environment and upon completion, was one of the ten most sustainable buildings in the Netherlands.

This new headquarters paved the way for a CSR approach to leasing offices worldwide. When renewing leases in the 40 countries in which we lease offices, we look for offices that are more sustainable, use less energy and water, and offer similar usability in terms of space, comfort and location.

Community Engagement

We want to be active in the local and global community. We also believe it is important to share the knowledge we have gained with those who can use it. We are convinced that addressing the development needs of the many people who need help is one of the paths to a sustainable future for the world. And we believe that the first step towards achieving this is to facilitate and improve education and so help people to achieve economic empowerment. By exchanging knowledge and mobilizing our ecosystem of employees, resellers, customers and shareholders to support this cause, we can guide entrepreneurs in less developed countries towards becoming more successful.

In 2010 we established the Exact Foundation to initiate projects in support of entrepreneurs. The Exact Foundation is intended to be our main tool for achieving the primary goal of our community engagement pillar: stimulating entrepreneurship.

With the Exact Foundation we want to contribute to raising the standard of living of those who have limited resources and chances. We believe that stimulating entrepreneurship is the most effective way to do so. This mindset has helped shape the mission of the Exact Foundation: "By stimulating and inspiring tomorrow's entrepreneurs with relevant knowledge and education, we contribute to their future independence and to overall sustainable growth." The foundation was officially launched in October 2010 and is currently investigating potential projects.

We engage our stakeholders through the Exact Foundation. By actively involving them in our community engagement projects we believe that we can have an even bigger impact than we otherwise would. The Foundation's first event was a knowledge-sharing event in July 2010. It was attended by 21 entrepreneurs from developing countries and over 40 people from Exact's stakeholder network.

Martijn Janmaat | CEO

"We will become more market driven in our approach."

Outlook

On the back of the improved business climate in the second half of 2010, and with the increased focus on organic revenue growth, we expect revenue to show low single-digit growth in 2011 on a like-for-like basis. Our target is to complete a restructuring program for the EMEA and APAC regions during the course of 2011 and subsequently return these regions to revenue growth.

We will continue in 2011 to step up investments in both R&D and commercial route-to-market in order to stimulate revenue growth. Despite the restructuring costs and the increased R&D and commercial route-to-market investments, our aim for 2011 is to at least maintain our 2010 EBITDA level in absolute terms on a like for like basis.

Market driven

We will become more market driven in our approach and develop software solutions that are tailored to the needs of the market sectors in which we operate. This will be reflected in our organizational structure as well.

Strategic market sectors

We will focus on developing software solutions for the manufacturing, professional services and wholesale and distribution market sectors; SaaS-based solutions for the lower end of the market; and solutions targeted at accountants. Within these market sectors, we will select a number of verticals or sub-segments and, where possible, involve our partner network in developing specific solutions for selected verticals.

SaaS-based solutions

Our SaaS (software as a service) offering, Exact Online, will be split into three separate offerings: Exact Online Easy, Exact Online SME and Exact Online for Accountants. Exact Online Easy will target companies with 2–5 employees that require basic bookkeeping functionalities. This is the core of our current Exact Online customer base. Exact Online SME will target companies with 5–25 employees and offer a broad range of functionalities such as time and billing, warehousing and manufacturing. Exact Online for Accountants will facilitate collaboration between accountants and their customers and is tailored to the changing needs and business models of accountants. We expect to launch the three offerings during 2011 while continuing to develop additional functionality in line with market feedback and demand.

Next to Exact Online, we see an increased demand for SaaS deployment and SaaS-based pricing. We are responding to this by offering exciting products, such as Exact Globe and Exact Synergy, via the web to new and existing customers (hybrid offering), and by offering subscription-based pricing models (pay-per-use) with some of the new offerings. We believe that this trend will continue and increase in the coming years.

Research, innovation and development

We invested more in research and development in absolute terms in 2010 and we plan to continue investing more in 2011. The investments will be based on clearly defined product roadmaps and will protect our customers' investments and support customer satisfaction and retention.

We will continue adding web services, providing a hybrid model that will enable customers to benefit from cloud computing in combination with their existing, on-premises applications. This will also enable a gradual migration to next-generation products while ensuring continuity for our customers.

Exact Synergy, our solution for collaboration and front-end processes, will be extended with functionality for services-driven companies. In addition, we will continue to focus on further integrating Exact Synergy with third-party products and solutions, and on providing support for mobile devices.

2 Financial results

We believe in doing things ourselves. That's how we ensure that at the end of the day, our customer get results and is happy with them.

Max Timmer | CFO

“We continued to turn in a solid performance in 2010.”

Financial results

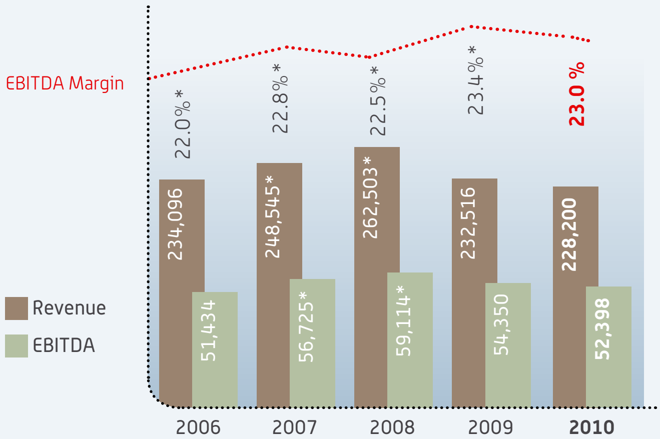
As foreseen, the business climate in which we operate gradually improved during 2010. This resulted, after a decline in license revenue for six consecutive quarters, in a return to license revenue growth in Q2 2010 and a return to overall revenue growth in H2 2010. Overall, we continued to turn in a solid financial performance in 2010, with the EBTDA margin decreasing only fractionally to 23.0%, an ongoing high cash conversion ratio, and a dividend payment in excess of last year.

Key financial figures

(in € thousands)	FY 2010	FY 2009	Change	FY 2009 in constant currencies	Change in constant currencies
License revenue	54,971	54,600	0.7%	56,921	(3.4%)
Maintenance revenue	133,974	134,539	(0.4%)	137,845	(2.8%)
Service revenue	39,255	43,377	(9.5%)	45,251	(13.3%)
Total revenue	**228,200**	**232,516**	**(1.9%)**	**240,017**	**(4.9%)**
Total operating expenses[1]	175,802	178,166	(1.3%)	184,775	(4.9%)
EBITDA	52,398	54,350	(3.6%)	55,242	(5.1%)
EBITDA margin (in %)	23.0%	23.4%	(0.4 pts.)	23.0%	0.0 pts.
EBIT	41,754	45,729	(8.7%)	46,366	(9.9%)
EBIT margin (in %)	**18.3%**	**19.7%**	**(1.4 pts.)**	**19.3%**	**(1.0 pts.)**
Operating cash flow	**48,495**	**49,751**	**(2.5%)**	**n.a.**	**n.a.**
Net income after tax	33,386	33,841	(1.3%)	34,778	(4.0%)
Net income margin (in %)	14.6%	14.6%	0.0%	14.5%	0.1 pts.
Diluted EPS[2] (in €)	1.45	1.47	(1.4%)	1.52	(4.9%)
Diluted cash EPS[2] (in €)	2.12	2.18	(2.8%)	n.a.	n.a.

[1] Excluding amortization and depreciation.
[2] Based on average diluted number of shares outstanding (FY 2010: 22.822 million; FY 2009: 22.815 million).

Profitability (in € thousands)



* At constant currencies (using 2010 rates as base)

> After a decline in license revenue for six consecutive quarters, we returned to license revenue growth in Q2 2010 and to overall revenue growth in H2 2010.

Key drivers behind the growth were Exact Online in the Benelux and license revenue growth in the Netherlands, the Americas and in the Longview product line. While still keeping a close eye on EBITDA and cash flow, the improved business momentum allowed us to gradually increase investments in our propositions, which is most clearly shown by the year-on-year increase in R&D spending, from 9.3% of revenue in 2009 (€ 21,659) to 10.3% in 2010 (€ 23,563).

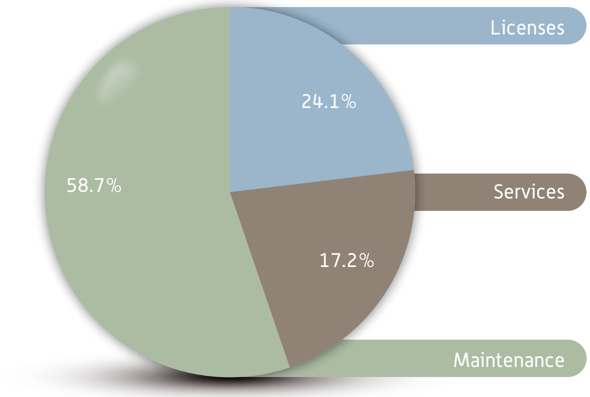
Moving into 2011, the strategic review we conducted in the second half of 2010 provided us with additional guidance on key strategic focus areas. Building on the revenue momentum in the second half of 2010, the key focus is to drive organic growth in 2011 and beyond, and to turn Exact into a more market-driven company. As part of the strategic review, issues in the EMEA and APAC regions were identified and corresponding corrective plans have been prepared. These will be implemented in 2011, putting the EMEA and APAC regions back in a position to again successfully capitalize on existing market opportunities.

Revenue

Total revenue declined by 1.9% from € 232.5 million for FY 2009 to € 228.2 million for FY 2010. Following a € 5.9 million decline in H1 2010, Exact returned to € 1.6 million revenue growth in H2 2010. All revenue lines (licenses, maintenance, and services) contributed to revenue growth in H2 2010. Organic revenue declined by 2.6% to € 228.2 million (FY 2009: € 234.3 million).

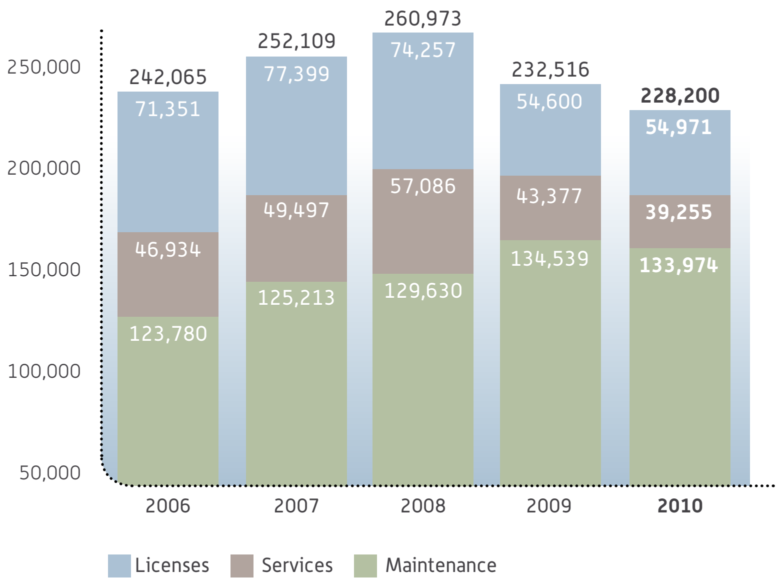
License revenue increased by 0.7% to € 55.0 million (FY 2009: € 54.6 million). Organic license revenue

Revenue per category



Maintenance revenue as a percentage of total revenue increased to 58.7% (2009: 57.9%) mainly due to the decrease of service revenues by 9.5%.

Revenue development (in € thousands)



increased by 0.9% (FY 2009: € 54.5 million). The improved license revenue momentum was not evenly spread across our product lines and regions. Longview (+32.7%), the Americas (+6.6%), and the Netherlands (+3.3%) led the way in this respect. The continued expansion of functionality and the addition of new modules to our product offering will drive further license revenue growth and increase the average revenue per customer.

License revenue momentum in EMEA and APAC was disappointing, with year-on-year declines of 7.8% and 27.4% respectively. Analyzing why, we found that our historic proposition in both regions was too generic, with resources spread too thinly over a multitude of subsidiaries. This resulted in an offering that was insufficiently competitive. We were also hindered by a lack of scale and related constraints. These issues will be addressed through an improved focus on cross-border ERP and a significantly reduced (but qualitatively strengthened) network of Exact subsidiaries around the world.

Maintenance revenue decreased by 0.4% to € 134.0 million (FY 2009: € 134.5 million). The absence of an inflation-indexed price increase was the main reason for the change in the trend versus previous years. While the year-on-year development was negatively impacted by divestments in 2009 in the Netherlands and in Colombia in 2010, it was also helped by more favorable exchange rates in 2010. Organic maintenance revenue decreased by 1.7% (FY 2009: € 136.2 million).

Service revenue declined by 9.5% to € 39.3 million (FY 2009: € 43.4 million) and was the main driver behind the overall decline in revenue in FY 2010. Typically, service revenue follows the trend in license revenue with a time lag of some six to nine months.

Revenue Developments

(in € thousands)	2006		2007		2008		2009		2010	
Licenses	71,351	29.5%	77,399	28.4%	74,257	28.4%	54,600	23.5%	54,971	24.1%
Maintenance	123,780	51.1%	125,213	49.7%	129,630	49.7%	134,539	57.9%	133,974	58.7%
Services	46,934	19.4%	49,497	21.9%	57,086	27.9%	43,377	18.6%	39,255	17.2%
Total	**242,065**	**100%**	**252,109**	**100%**	**260,973**	**100%**	**232,516**	**100%**	**228,200**	**100%**

This was evidenced by the service revenue in Q4 2010 being 5.6% higher compared with Q4 2009. Furthermore, the increased significance of the Exact Online business in the Benelux, plus greater customer cautiousness in relation to services, contributed to the service revenue softness. Organic service revenue declined by 9.9% (FY 2009: € 43.5 million).

EBITDA and EBIT

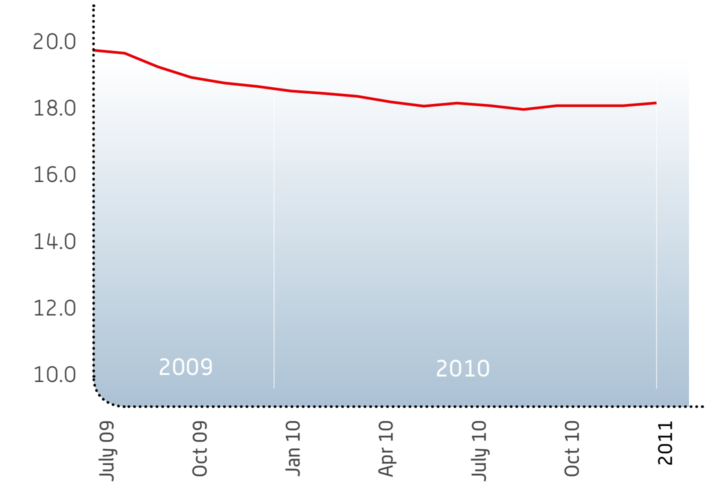
The first half of 2010 saw Exact continue to benefit from the full-year effect of cost and prudency programs executed in 2009 (especially in the Americas). On a full-year basis, operating expenses (excluding depreciation and amortization) were € 2.4 million lower than in 2009. Operating expenses were € 4.1 million lower in H1 2010 and € 1.7 million higher in H2 2010. As in 2009, operating expenses in 2010 were impacted by onetime items. For 2009, a total amount of € 2.7 million was categorized as onetime items (€ 1.3 million restructuring costs and € 1.4 million brand re-launch). A similar amount was categorized as onetime items in 2010 (€ 1.3 million restructuring costs, € 1 million strategy review, and € 0.4 million for costs related to moving headquarters). As a result of the revenue decline of € 4.3 million and the lower operating expenses of € 2.4 million, the EBITDA decreased by € 2.0 million from € 54.4 million in 2009 to € 52.4 million in 2010. The related EBITDA margin remained fairly constant (23.0% in 2010 versus 23.4% in 2009).

The number of employees was reduced by 15% in 2010 to 1,867 FTEs (FY 2009: 2,208 FTEs). The decrease was primarily due to the divestment of Siigo. Excluding Siigo, the decline would have been 1% in 2010. Related personnel expenses decreased from € 112.0 million in 2009 to € 109.8 million in 2010, primarily as a result of the full-year effect of the 2009 restructuring program in the Americas.

Corporate costs, including research and development costs for corporate product lines (excluding depreciation and amortization), amounted to € 27.7 million (FY 2009: € 24.0 million). This increase was driven primarily by an increase in R&D spending.

R&D spending increased 9% compared to 2009, emphasizing our commitment to innovation and product development. Exact Online and Longview's CPM and Tax products continued to be key areas for R&D spending. As a percentage of total revenue, R&D spending increased to 10.3% (FY 2009: 9.3%).

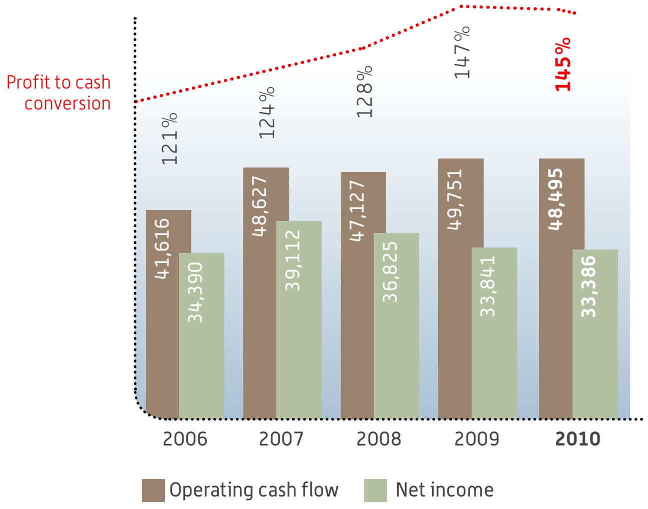
Revenue development (in € millions)



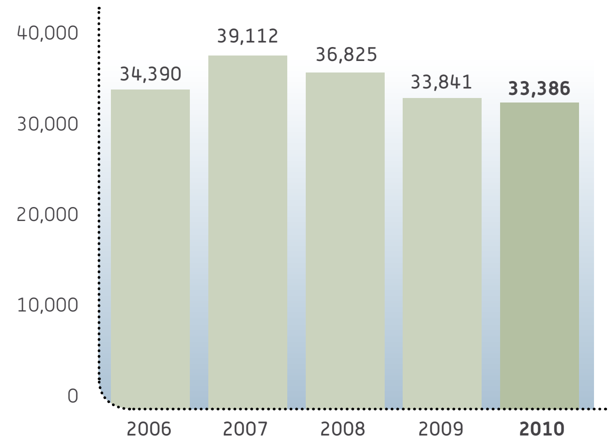
Moving annual average per period.

2009-2010 EBITDA bridge (in € thousands)

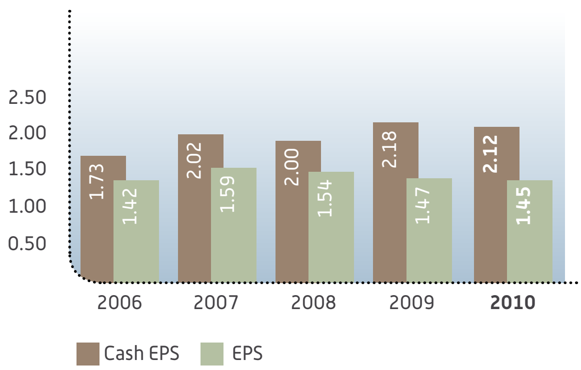
Profit to cash conversion (in € thousands)



Net income (in € thousands)



Diluted earnings per share (EPS) (in €)



Diluted earnings per share (EPS) (in €)

	2006	2007	2008	2009	2010
EPS	1.42	1.59	1.54	1.47	1.45
Cash EPS	1.73	2.02	2.00	2.18	2.12

Depreciation and amortization increased from € 8.6 million in 2009 to € 10.6 million in 2010. The increase was almost completely driven by onetime items in relation to the corporate airplane (€ 1.1 million write-off following the decision to pursue a sale) as well as the write-off of some intangibles (software: € 0.4 million) and customer base (Spain: € 0.3 million). As a result, EBIT declined by € 4.0 million from € 45.7 million for FY 2009 to € 41.8 million for FY 2010; the related EBIT margin declined from 19.7% in 2009 to 18.3% in 2010.

Interest and tax

Our total financial income and expenses increased by € 1.8 million to € 1.5 million (FY 2009: € -0.3 million). The key factor was the inclusion of a € 2.1 million book profit relating to the divestment of Siigo. In addition, net interest received increased from € 0.2 million in 2009 to € 0.4 million in 2010. Negative exchange rate results and some other finance-related items accounted for the remaining balance of € -0.5 million. The average tax rate decreased from 25.5% to 22.9%, mainly as a result of our successful application for the Dutch Innovation Box program.

Balance sheet and cash flow

The net cash position increased to € 58.1 million as at December 31, 2010 (December 31, 2009: € 48.9 million). The balance sheet continued to be strong and debt free.

The continued strong focus on cash collection resulted in the average days sales outstanding improving to 48 (FY 2009: 63). The operating cash flow decreased by 2.5% to € 48.5 million (FY 2009: € 49.8 million), representing a stable profit-to-cash conversion of 145% (FY 2009: 147%). Working capital showed a € 6.4 million improvement, primarily driven by lower trade receivables.

Net income and EPS

Net income attributable to shareholders amounted to € 33.1 million (FY 2009: € 33.6 million), representing a decrease of 1.5% as a result of a lower EBIT. Earnings per share (EPS) decreased by a similar percentage to € 1.45 (FY 2009: € 1.47); the positive impact of the divestment of Siigo was approximately € 0.09 per share.

Our current dividend policy as adopted by the General Meeting of Shareholders in 2005, is to pay out 100% of the net result any year in which we do not make a material acquisition. We already paid out interim dividend of € 0.52 per share paid on August 13, 2010 and based on our dividend policy the final dividend payout amounts to € 0.93 per share. Amongst others as a result of the successful execution of the receivables collection programs we currently have some excess cash that we do not foresee to require in the normal course of our operations. We propose to distribute part of it to shareholders together with the final dividend payment. We will propose at the General Meeting of Shareholders on May 26, 2011 an additional dividend payout of € 0.57 per share, which would bring the final dividend payment to € 1.50 per share and the total dividend for 2010 to € 2.02 per share. The one time additional dividend payment does not mean that we will nor propose to change our dividend policy.

Overview of geographical regions

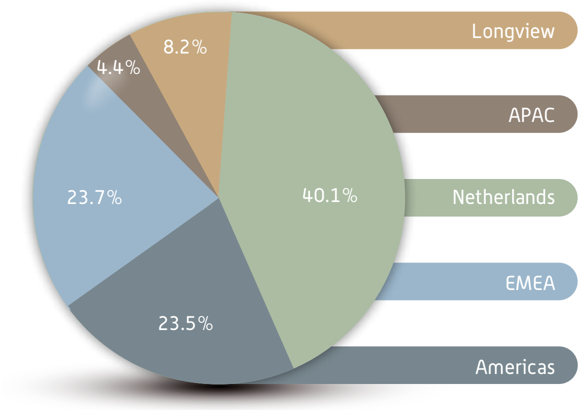
Exact's operations are organized into four geographical regions. Longview Solutions reports directly to corporate headquarters.

Overview of geographical regions

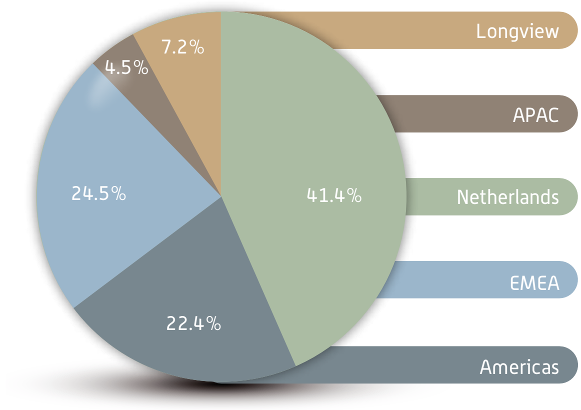
	2010 Total revenue	2010 EBITDA[1]	2010 EBITDA %[1]	2009 Total revenue	2009 EBITDA[1]	2009 EBITDA %[1]
Netherlands	91,509	49,600	54.2%	96,246	48,903	50.8%
EMEA	54,046	10,994	20.3%	56,959	14,430	25.3%
Americas	53,696	15,189	28.3%	52,107	10,809	20.7%
APAC	10,137	427	4.2%	10,432	1,281	12.3%
Longview	18,812	3,970	21.1%	16,772	2,910	17.3%
Total	**228,200**			**232,516**		

[1] Corporate costs are not included in the EBITDA of the regions.

Revenue split 2010



Revenue split 2009



3 Operational developments

Every one of us holds a key place in the evolution of Exact. And that's how we like it. We all feel responsible for what happens.

Chris Jansen | Managing Director the Netherlands

"One of our goals in 2010 was to get closer to our customers and software users."

Operational developments **the Netherlands**

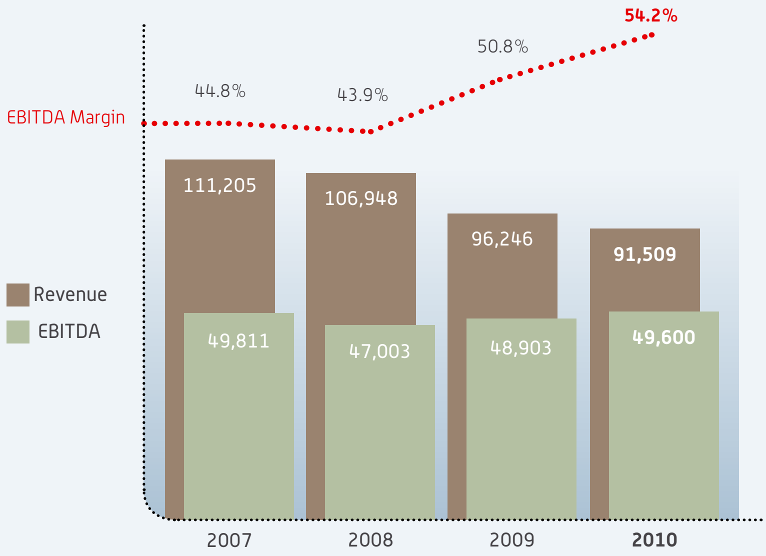
Although the Dutch economy did not improve materially in 2010, we did notice an improvement in customers' and prospects' willingness to consider buying our products. The strategic review we conducted in 2010 led to an increased focus on a limited range of verticals (manufacturing, wholesale and distribution, and professional services). We will pursue this endeavor in close cooperation with our leading resellers in the Dutch market, with whom we signed a new five-year contract. Exact Online continued to show strong growth in the lower end of the market and in the accountancy sector.

Financial highlights 2010

- Total revenue declined by 4.9% to € 91.5 million (FY 2009: € 96.2 million). The decline was materially impacted by the full-year effect of divestments of AllSolutions and Easy Access in 2009. On an organic basis, revenue declined by 0.8% (FY 2009: € 92.2 million). This decline was driven by both maintenance and service revenue, while license revenue showed an attractive 9.4% organic year-on-year growth.
- The EBITDA margin of the Dutch operation improved further from 52.7% in 2009 to 54.2% in 2010, while the absolute EBITDA improved to € 49.6 million (FY 2009: € 48.9 million).

Revenue and EBITDA development

(in € thousands)



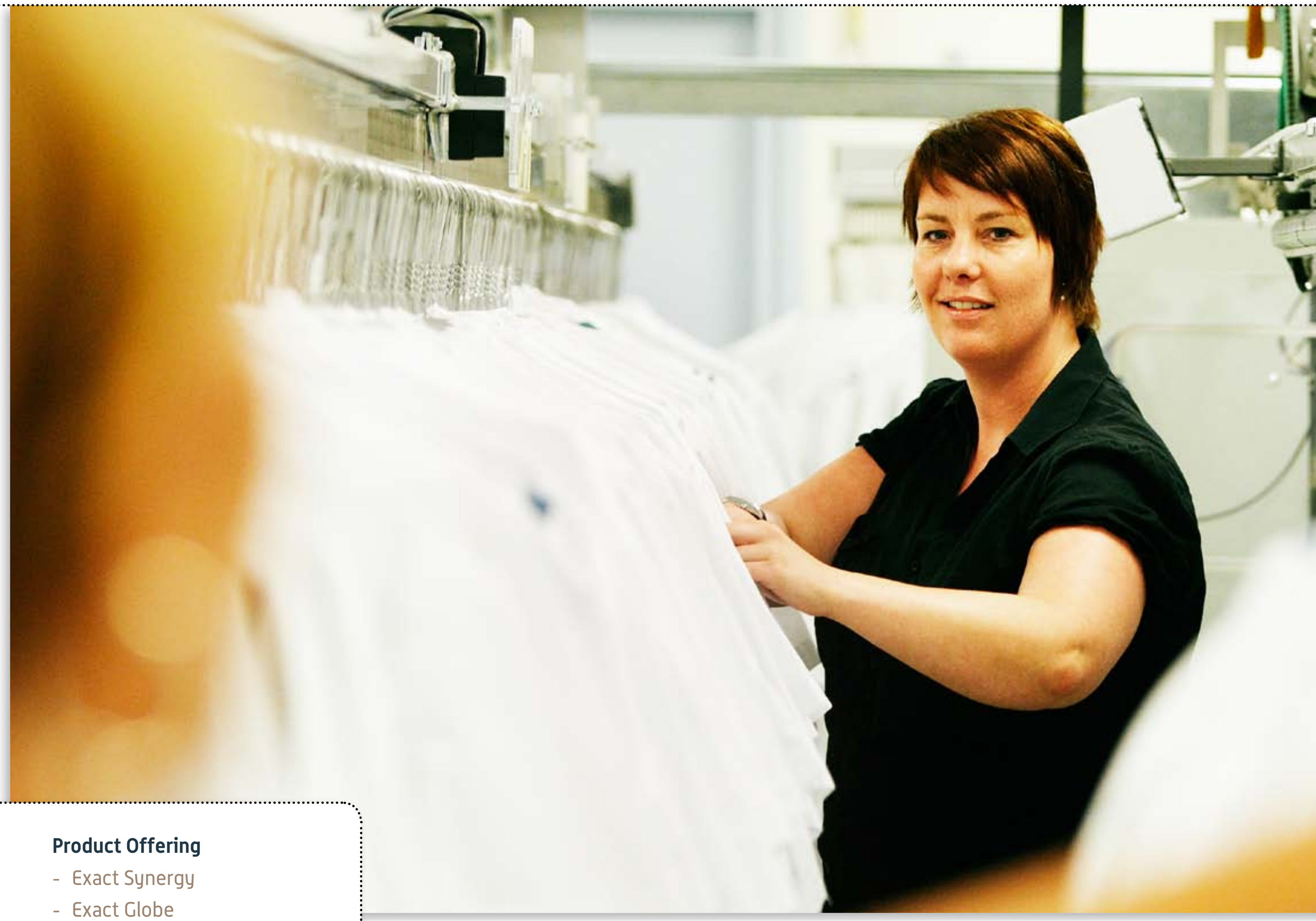
(in € thousands)	FY 2010	Change	FY 2009 reported	Change	FY 2009 organic
Total revenue	91,509	(4.9%)	96,246	(0.8%)	92,225
EBITDA	49,600	1.4%	48,903	2.1%	48,573
EBITDA margin (in %)	54.2%	3.4 pts.	50.8%	1.5 pts.	52.7%

Corporate costs are not included in EBITDA of the regions.

We saw market conditions in the Netherlands gradually improve during 2010. This was demonstrated by the development of license revenue during the quarters (a decline in Q1 and a gradual increase over Q2, Q3 and Q4), resulting in a year-on-year organic increase in license revenue of 9.4%. Maintenance revenues stabilized in the second half of the year and service revenues only started to increase in the fourth quarter, which is a six- to nine-month delay compared to license revenue. However, with customers being more cost conscious and demanding more and more standard solutions, we do not expect service revenue to return to historic levels soon.

One of our goals for 2010 was to get closer to our customers and users. We organized over 450 free workshops around the country during the year, targeted at different user groups, and engaged with over 3,000 participants. During the workshops, specific software functionalities were explained and tips and tricks shared. Specialists from our customer service and support departments were present to help users with questions and explain functionalities. We have received a lot of positive feedback.

Exact Online continued to show strong growth in the Netherlands. The number of commercial administrations kept in Exact Online in the Netherlands increased by 44% to 48,300 (2009: 33,500), and we



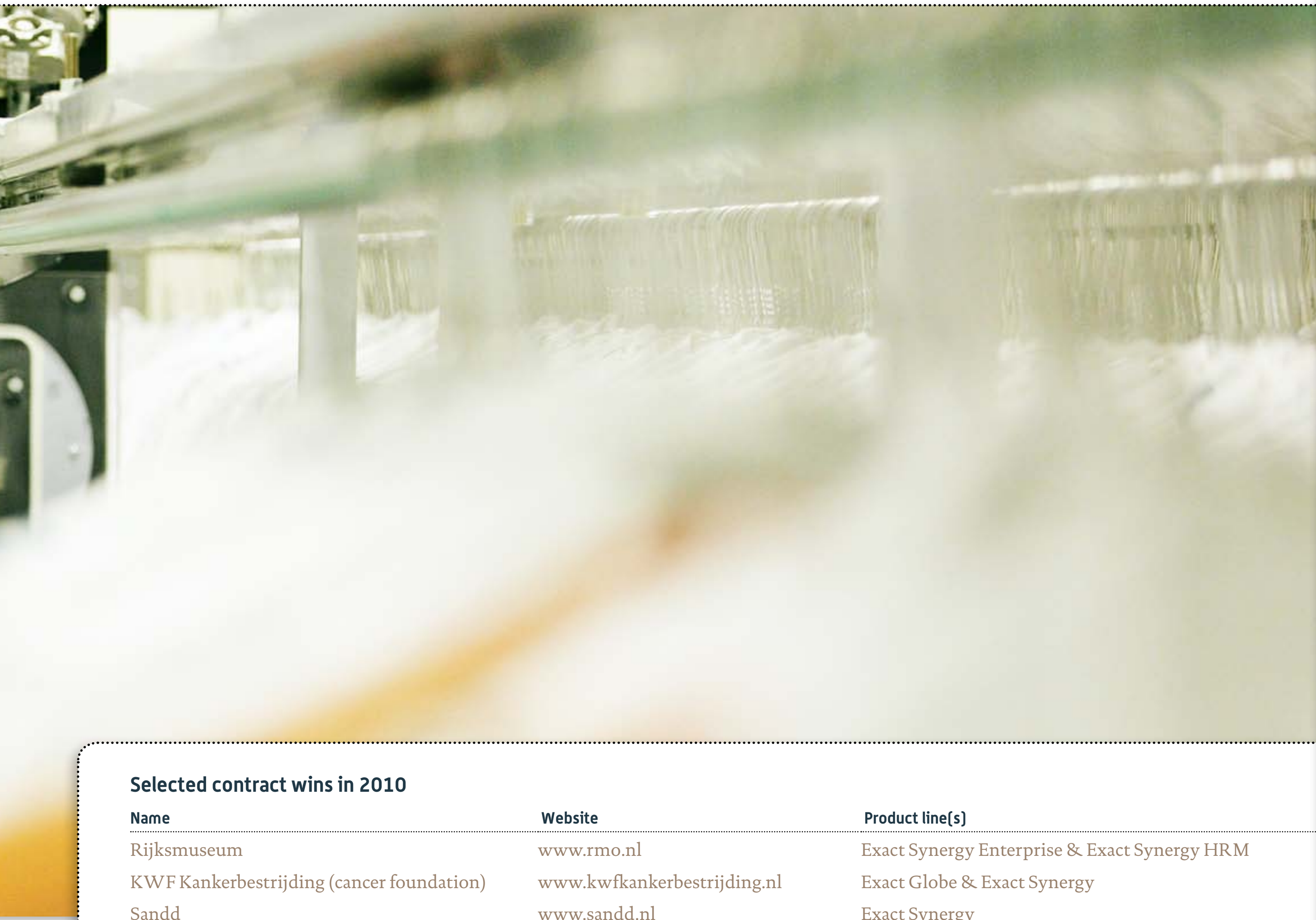
Product Offering

- Exact Synergy
- Exact Globe
- Exact Online
- Exact Business Analytics
- Exact Compact
- Exact Financials
- Exact AEC

put resources and initiatives specifically into migrating customers from legacy product lines to Exact Online. In the second half of 2010 we gained momentum and we saw the number of migrations gradually increase. From 2005 to 2010 we migrated more than 8,300 commercial administrations to Exact Online.

The strategic review in the second half of 2010 showed that we could be more successful with a more differentiated product offering of Exact Online for the lower end of the SME market. Exact Online Easy, which is actually our current Exact Online offering for financial accounting, will be our offering for the lower end of the market, serving companies with 2–5 employees. Exact Online SME will be targeted at companies with between 5 and 25 employees and will have broader functionality, such as Logistics and Time & Billing. The third offering will be Exact Online for Accountants. This will be a functionality-rich offering and will include a payroll module that includes the majority of collective wage agreements in the Netherlands. This will enable accountants to service their customers more efficiently via the web.

Because we have decided to focus on gaining experience with the three Exact Online offerings in the Benelux market first, we have discontinued our pilot of Exact Online in Turkey.
At the end of 2010 we divested our hardware business in the Netherlands. This was not a core activity and its sale to Kender Thijssen gives customers the assurance of a supplier that is completely focused on hardware.

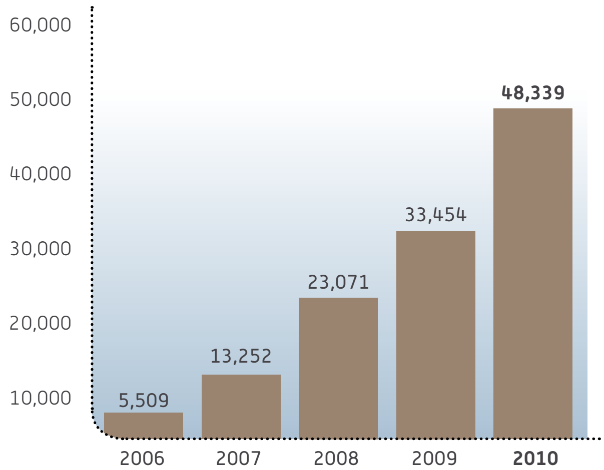


Selected contract wins in 2010

Name	Website	Product line(s)
Rijksmuseum	www.rmo.nl	Exact Synergy Enterprise & Exact Synergy HRM
KWF Kankerbestrijding (cancer foundation)	www.kwfkankerbestrijding.nl	Exact Globe & Exact Synergy
Sandd	www.sandd.nl	Exact Synergy
STMG Hulp bij het Huishouden (Stichting Thuiszorg Midden-Gelderland)	www.stmg.nl	Exact Globe
Ministry of the Interior and Kingdom Relations	www.minbzk.nl	Exact Globe
Deloitte	www.deloitte.com	Exact Online
Ellen4Bizz	www.ellen4biz.nl	Exact Online

Exact offices in the Netherlands

Total number of Exact Online commercial administrations in the Netherlands



Austria
Belgium
Curaçao
Czech Republic
Denmark
France
Germany
Hungary
Ireland
Italy
Kuwait
Morocco
Netherlands
Poland
Portugal
Romania
Russian Federation
Slovakia
South Africa
Spain
Switzerland
United Arab Emirates
United Kingdom

Vincent Harmsen | Managing Director EMEA

"Our value proposition is to provide cross-border ERP solutions that address the needs of companies in the SME market."

Operational developments **EMEA**

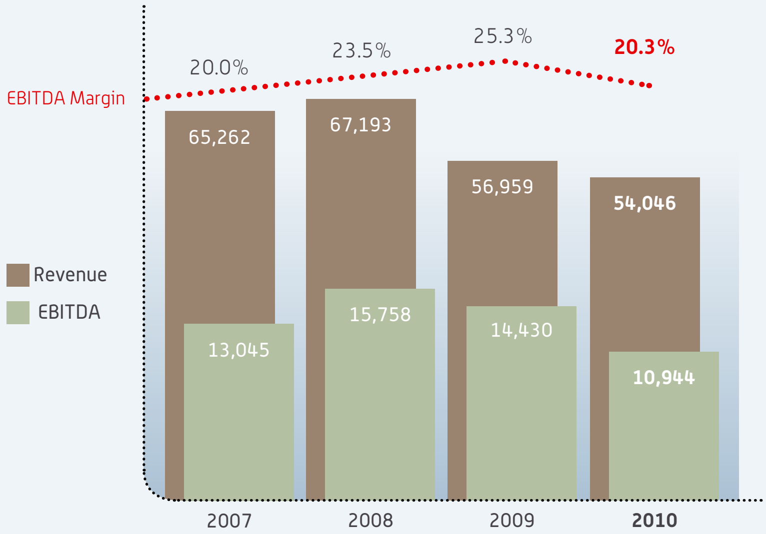
As mentioned earlier, research has indicated that Exact's traditional proposition in EMEA is too generic and that resources are spread too thinly over a multitude of subsidiaries. As a result, our offering is insufficiently competitive, lacks scale, and suffers from related quality deficiencies. This will be addressed by an improved focus on cross-border ERP as well as a significantly reduced (but qualitatively strengthened) network of Exact subsidiaries around the world.

Financial highlights 2010

- Total revenue declined by 5.1% to € 54.0 million (FY 2009: € 57.0 million), driven by a decline in all three revenue lines. On an organic basis revenue declined by 6.3% (FY 2009: € 57.7 million).
- License revenue remained soft throughout the year, resulting in a year-on-year license revenue decline of 7.8%. Although H2 2010 showed better license revenue momentum than the first half of 2010, a net overall decline was also experienced in H2 2010.
- Maintenance revenue remained stable, with a marginal decline of 0.1% on a full-year basis. The stabilization of our maintenance revenue was helped by favorable exchange rates; on an organic basis the decline would have been 1.4%.
- Service revenue improved gradually throughout the year but nonetheless came in 15.2% lower on a year-on-year basis. Service revenue typically follows license revenue with a six- to nine-month delay.

Revenue and EBITDA development

(in € thousands)



(in € thousands)	FY 2009	Change	FY 2009 reported	Change	FY 2009 organic
Total revenue	54,046	(5.1%)	56,959	(6.3%)	57,709
EBITDA	10,944	(24.2%)	14,430	(25.4%)	14,673
EBITDA margin (in %)	20.3%	(5.0 pts.)	25.3%	(5.1 pts.)	25.4%

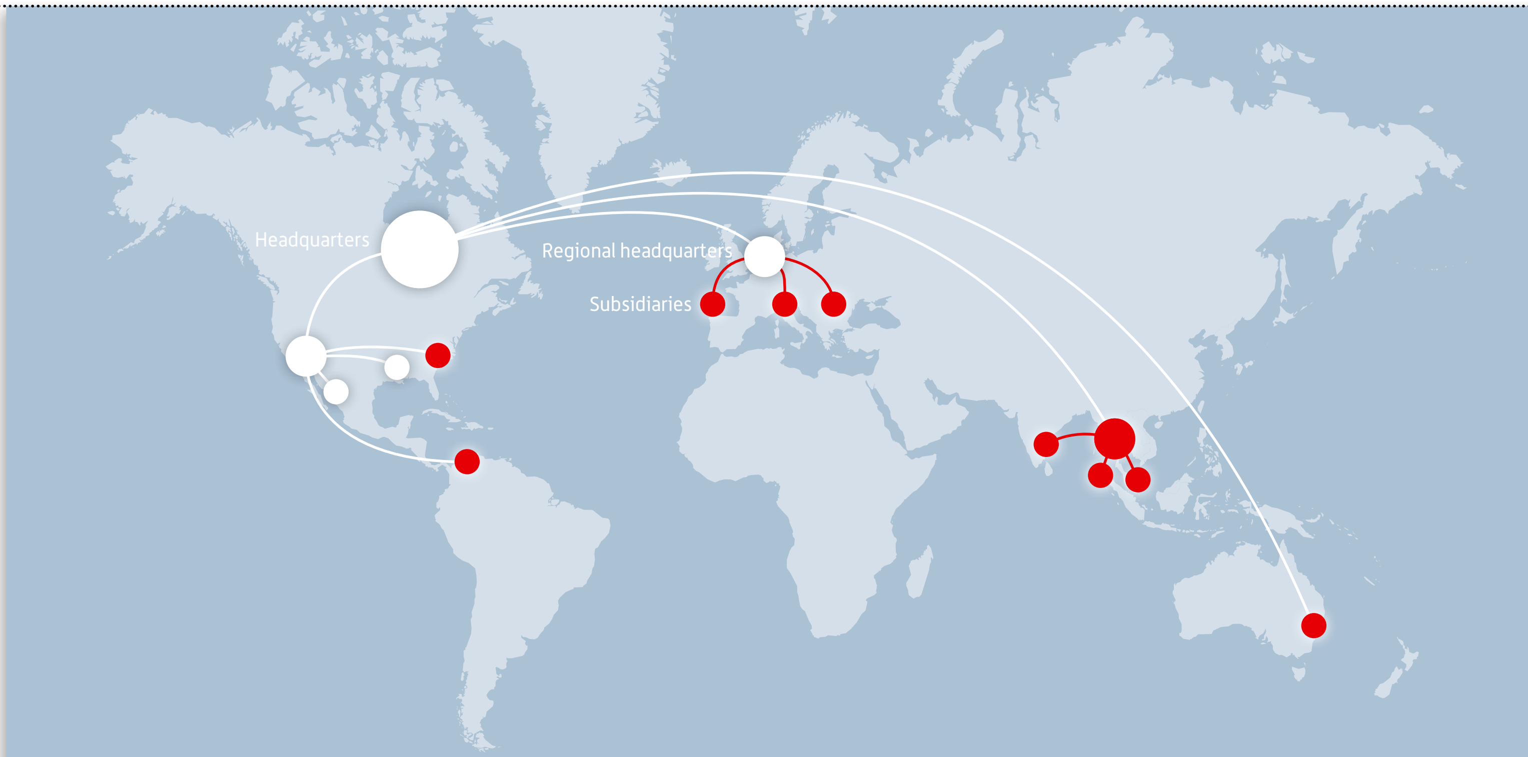
Corporate costs are not included in EBITDA of the regions.

The 2010 results also underline the need for change, with overall revenue declining from € 57.0 million in FY 2009 to € 54.0 million in 2010.

In general, the countries in the EMEA region rebounded from the economic crisis at different speeds and with different degrees of flexibility. As a result, customer demand in each country was materially different. Countries like the Netherlands, France, the United Kingdom and Germany showed increased demand compared to 2009, albeit gradually and slowly. On a full-year basis, these countries showed a revenue increase of 4%. Other countries in the region continued to return disappointing results as the economies were less flexible and slower to recover.

Although we saw an increase in sales leads at the end of 2010, converting leads to sales continues to be more challenging than before. Customers have become more demanding and more decision makers are involved in the sales process. The sales cycle is becoming more complex because customers want more tailored software solutions, without this requiring too much customization.

This all leads to significantly longer and less predictable sales cycles than before. The strategic review we conducted in the second half of 2010 confirmed that our international go-to-market approach, targeting international companies with subsidiaries in multiple countries, is the right one. The financial results for



Our core value proposition in EMEA and APAC is cross-border ERP solutions for multinational companies in the SME market. We serve these small and medium-sized multinational companies with our global vertical propositions.

We will focus our sales initiatives on the headquarter-rich countries and service the customers out of a number of countries where we have presence.

Product offering

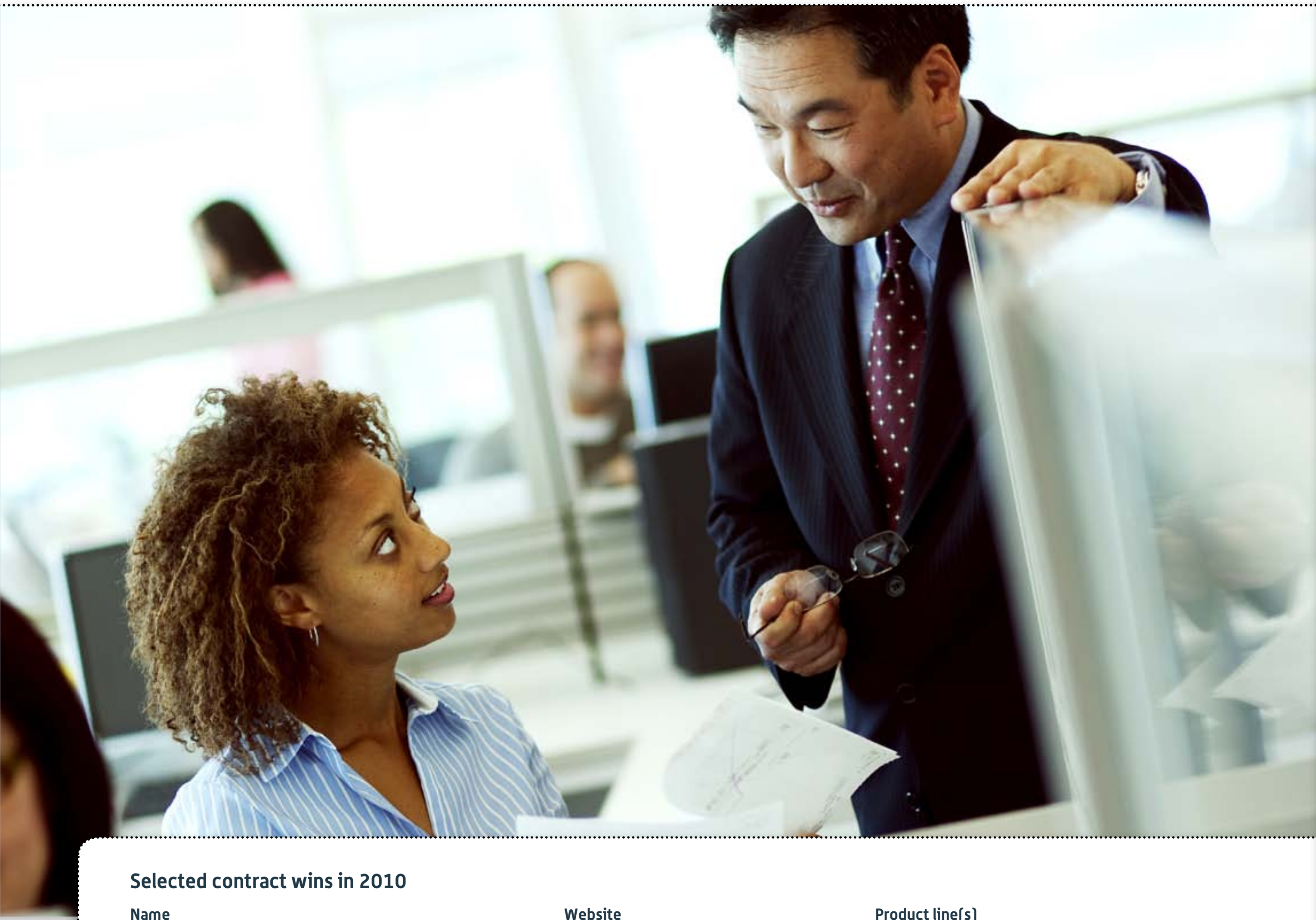
- Exact Synergy
- Exact Globe
- Exact Business Analytics
- Exact Online (Belgium)
- ProAcc (Belgium)
- Lohn XL (Germany)
- Dimoni (Spain)

2010, however, demonstrate that we need to make some changes to make this approach more financially attractive.

The research showed that in some countries in EMEA we had drifted away from our core value proposition by also selling our solutions to local players. Our value proposition is to provide cross-border ERP solutions that address the needs of multinational companies in the small and medium enterprise market, not businesses that operate in just one country. We will therefore focus on multinational companies in our chosen market sectors, approaching them with one of our propositions. The headquarters of these multinational companies are mainly concentrated in the Netherlands, France, Germany, the United Kingdom and the Unites States, and we will increase and improve our sales and marketing organizations in these countries. The remainder of our subsidiary network will be restructured to achieve sufficient critical mass in each operating entity, and to reach the financial thresholds we have determined.

As a result, we will close a number of subsidiaries around the world, which will lead to compulsory redundancies. We will ensure that our company values are upheld during this process and that each employee affected is treated in accordance with local regulations and legislation.

Customers in the countries in which we discontinue operations will be served from a regional hub, without



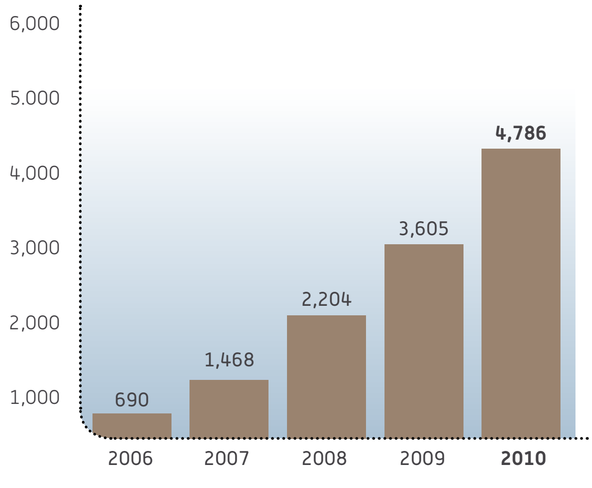
Selected contract wins in 2010

Name	Website	Product line(s)
Forem Galicia	www.foremgalicia.es	Exact Synergy & Exact Event Manager
Electric House Establishment	www.electric-house.com	Exact Synergy & Exact Globe
Smulders Group Holdco B.V.	www.smuldergroep.com	Exact Globe
Komori Corporation	www.komori.com	Exact Synergy & Exact Globe
VitaDirect Tomasz Kozlowski	www.vitapharm.pl	Exact Synergy & Exact Globe

compromise to service level or support. As some subsidiaries were small, the clustering of our operations in a hub will lead to greater specific knowledge and resources being available to our customers. We believe that, as a result, our service will improve.

Exact Online continues to grow strongly in Belgium. The total number of commercial administrations kept in Exact Online grew by more than 33% to approximately 4,800.

Total number of Exact Online commercial administrations in Belgium



Australia
China
Hong Kong
Indonesia
Japan
Malaysia
Philippines
Singapore
Thailand
Vietnam

Product offering

- Exact Synergy
- Exact Globe
- Exact Business Analytics
- Exact Macola
- Orisoft

Vincent Harmsen | Managing Director APAC

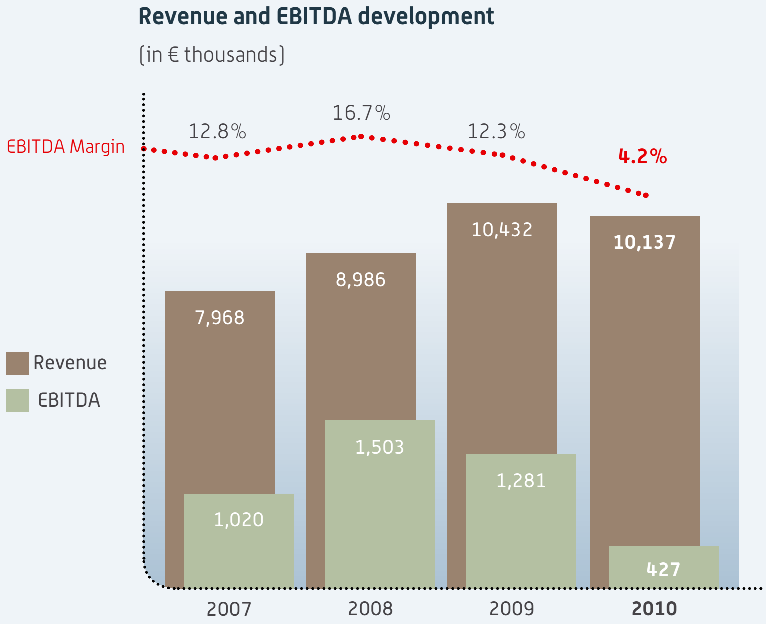
"The lack of scale in APAC leads to results that are below the company average."

Operational developments APAC

Like EMEA, the APAC region failed to bounce back as expected from the revenue softness of 2009. Even more than EMEA, the APAC region experienced challenges regarding lack of scale, as well as insufficient commercial execution power compared to our competitors. This is also shown by the revenue development in 2010, with a decrease in overall revenue of 2.8% to € 10.1 million (FY 2009: € 10.4 million).

Financial highlights 2010

- Total revenue decreased to € 10.1 million (FY 2009: € 10.4 million). Organic revenue decreased by 13.8% (FY 2009: € 11.8 million).
- License revenue in particular was weak in 2010, showing a 27.4% decrease versus FY 2009. Maintenance revenue held up strongly, showing a 19.0% increase, partially driven by favorable exchange rate differences.
- Operating expenses in FY 2010 showed a slight increase versus FY 2009 (€ 9.7 million versus € 9.2 million).
- As a result of the above, EBITDA decreased to € 0.4 million (FY 2009: € 1.3 million).



(in € thousands)	FY 2010	Change	FY 2009 reported	Change	FY 2009 organic
Total revenue	10,137	(2.8%)	10,432	(13.8%)	11,766
EBITDA	427	(66.7%)	1,281	(69.3%)	1,392
EBITDA margin (in %)	4.2%	(8.1 pts.)	12.3%	(7.6 pts.)	11.8%

Corporate costs are not included in EBITDA of the regions.

Selected contract wins in 2010

Name	Website	Product line(s)
Kooga	www.Kooga.com.au	Exact Globe & Exact Synergy
EDM Media Group	www.edmmedia.nl	Exact Globe & Exact Synergy
SolarTotal Operations Europe B.V.Tokai Holdings	www.vesta-tokai.co.jp	Exact Globe
KFC Holdings (Malaysia) Bhd.	www.kfcholdings.com.my	Orisoft HRMS

Similar to our experience in the EMEA region, the countries in the APAC region rebounded from the economic crisis at varying speeds and with differing degrees of flexibility. As a result, the customer demand in each country was materially different, but the results were clearly disappointing overall. We believe that this is due to our organization's lack of commercial power in most of the countries in which we operate in APAC. This lack of commercial power is a direct consequence of lack of scale and critical mass in these countries.

With our cross-border ERP offering, we have a unique route to market that targets multinational companies with solutions tailored to the selected market segments. This, however, requires focus and scale. In 2010 we saw that lack of scale leads to results that are below the company average. We therefore decided to rationalize and restructure our APAC subsidiary network to bring back the focus in the regional operations. The first steps in the APAC restructuring process were taken in early 2011 with the announcement of office closures in the Philippines, Indonesia, Thailand, Vietnam, and Hong Kong. Furthermore, the Singapore office will be downsized to a consultancy office. Going forward, Exact will service the region out of China, Malaysia (Southeast Asia focus), Japan and Australia. Malaysia will function as a hub country, that is, a qualitatively and quantitatively upgraded office servicing a region of countries. The closures in the Philippines, Indonesia, Vietnam and Hong Kong are scheduled to be completed by the end of Q1 2011, with Thailand following at the end of Q2.

Following this restructuring, we believe results will gradually improve in the course of 2011.

Canada
Colombia
Ecuador
Mexico
Peru
USA

Mitchell Alcon | President Americas

"For new opportunities our focus was on increased marketing of Exact Globe and Exact Synergy manufacturing and distribution solutions."

Operational developments **Americas**

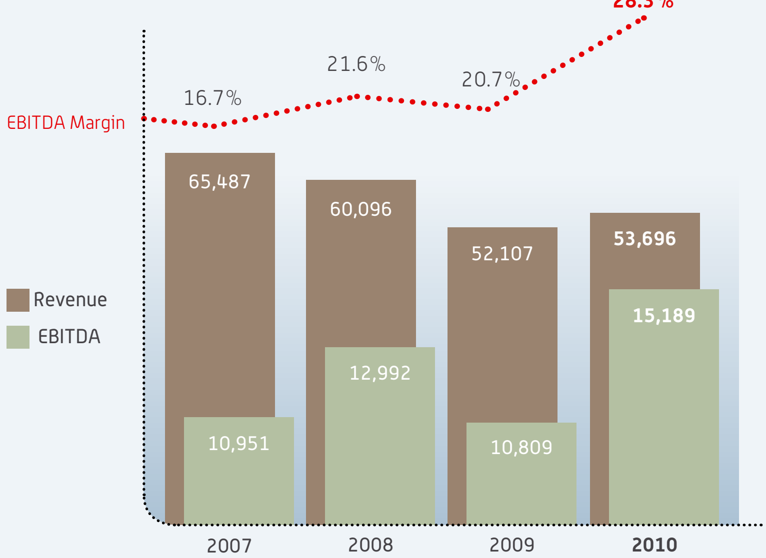
The Americas region continued to realize solid EBITDA margin growth. This was due to both a lower operating cost footprint and strong license growth from corporate solutions in the second half of 2010. The effects of the recession had a delayed impact on services as existing and new customers demanded lower implementation costs. We expect this trend to continue after the recession. We continue to put significant effort into enhancing our customers' experience, delivering the features and functionality requested, and providing enhanced services. This is resulting in improved customer retention rates.

Financial highlights 2010

- Total revenue increased by 3.0% to € 53.7 million (FY 2009: € 52.1 million). Favorable exchange rates played a role in the revenue increase as evidenced by the organic revenue growth rate of -1.2%.
- Improved business momentum for JobBOSS in particular and new Exact Globe sites were the main drivers behind the 6.6% license revenue increase versus FY 2009.
- Despite higher medical costs, an increased cost of sale and (un)favorable exchange rates, operating expenses decreased significantly to € 38.5 million (FY 2009: € 41.3 million). This was driven by the full-year effect of the restructuring program initiated during the summer of 2009.
- As a result both the EBITDA (from € 10.8 million to € 15.2 million) and the EBITDA margin (from 20.7% to 28.3%) improved considerably.
- New agreements were signed with the US resellers, allowing them to also sell and service new Exact Globe and Synergy customers.

Revenue and EBITDA development

(in € thousands)



(in € thousands)	FY 2010	Change	FY 2009 reported	Change	FY 2009 organic
Total revenue	53,696	3.0%	52,107	(1.2%)	54,372
EBITDA	15,189	40.5%	10,809	28.1%	11,860
EBITDA margin (in %)	28.3%	7.6 pts.	20.7%	6.5 pts.	21.8%

Corporate costs are not included in EBITDA of the regions.

North America underwent a transition in 2010. The economy experienced minimal growth in the first half of the year, with investments delayed and project scopes shrunk to reduce IT budgets. In the second half of 2010, however, elements of the economy started to show signs of life, particularly the manufacturing sector. This resulted in an increase in the number of new prospects and customers investigating ways to improve their systems. IT budgets remain tight, with a focus on implementing solutions that will drive an organization's operational efficiency to compensate for reduced headcount.

Likewise, our Americas region also went through a transition in 2010. We completed the right-sizing of the organization, with overall headcount for the region remaining flat compared to 2009.

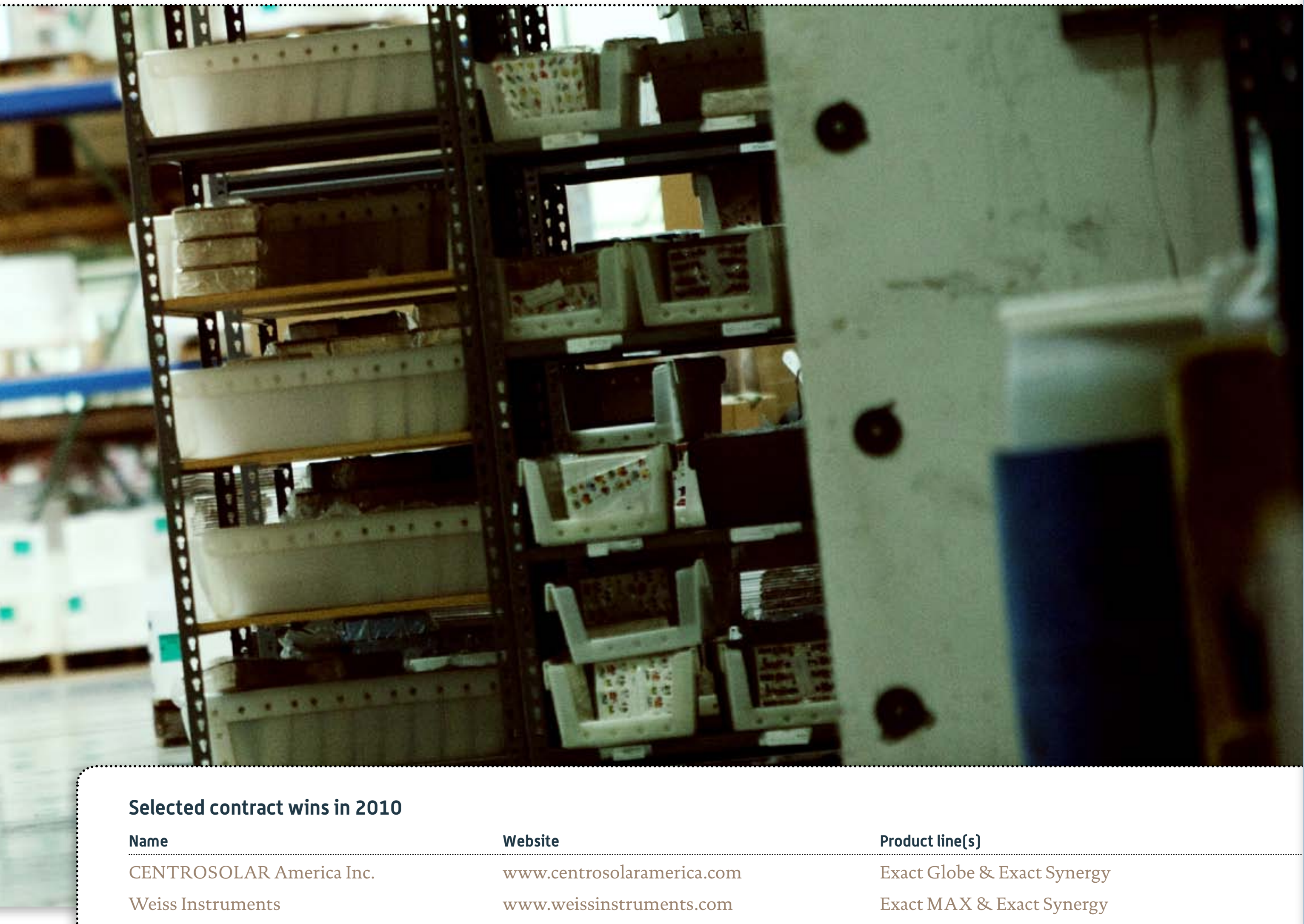
In the first half of the year we placed increased focus on new initiatives to generate new license growth. These were rolled out in the second half of the year. Each of our targeted segments had a key initiative. Initiatives involving Exact Globe and Exact Synergy included delivering an Exact Globe conversion utility that allows existing legacy customers to migrate to Exact Globe. Regarding new opportunities, the focus was on the increased marketing of Exact Globe and Exact Synergy manufacturing and distribution solutions to targeted SME manufacturing segments.

Product offering

- **Exact Synergy**
- **Exact Globe**
- **Exact Business Analytics**
- **Exact Macola**
- **Exact JobBOSS** (USA, Mexico)
- **Exact MAX** (USA)
- **Siigo** (South America)

The Exact JobBOSS initiative focused on rolling out a low-cost, easy to use and self-installable make-to-order solution for job shops that allows them to benefit from Exact JobBOSS expertise and experience the proposition "software you will never outgrow".
For the Exact MAX offering, we targeted Quickbooks and Great Plains prospects that are looking for a best-of-breed manufacturing resource planning application to address critical manufacturing requirements.
All three initiatives showed traction in the second half of 2010, with a significant increase in the number of new site sales over 2009.

In addition, by delivering on customer-requested enhancements, new solutions in e-commerce, inventory planning, sales tax filing and electronic data interchange as well as new services such as the health check, we continued to extend our customers' investments in Exact solutions. The Americas continued to enhance the high-touch nature of our customer advocate program to ensure our customers have access to the resources they need to address concerns or questions quickly.
In addition, events such as Engage (an annual customer showcase), regional seminars, webinars and product and service surveys were well utilized by our customers and ensured we heard what they had to say.



Selected contract wins in 2010

Name	Website	Product line(s)
CENTROSOLAR America Inc.	www.centrosolaramerica.com	Exact Globe & Exact Synergy
Weiss Instruments	www.weissinstruments.com	Exact MAX & Exact Synergy
Ventura Aerospace	www.venturaaerospace.com	Exact JobBOSS & Exact Synergy
Dylan Manufacturing	www.dylanmfg.com	Exact JobBOSS
Superior Machining & Fabrication	www.superior-machining.com	Exact JobBOSS
Desemco	www.desemco.com	Exact JobBOSS
KLW Nameplate	www.klw-mfg.com	Exact JobBOSS

These was backed by our partnership approach to continued sponsorship of, and direct involvement with, customer-run user communities. This resulted in more touch points with customers across all geographies and product lines. Finally, regular product roadmap updates formed part of our routine communication to our customers. All this helped the Americas region achieve improved customer retention numbers.

We expect market conditions in North America to continue to slowly improve in 2011. Many of our 2010 initiatives will position the Americas region to tap into the growing demand from SMEs and provide us with the opportunity for increased license growth. And, we will continue to support and nurture our customer base, which will be looking to us, as their partner, to provide the solutions to help them grow their businesses. Maintaining an efficient infrastructure while making investments in strategic initiatives will allow the Americas region to continue to grow revenues in 2011.

Canada
United States

John Power | President Longview

"After two years of shrinking average deal sizes, we have seen both a growth in market activity and in the average deal size."

Operational developments **Longview**

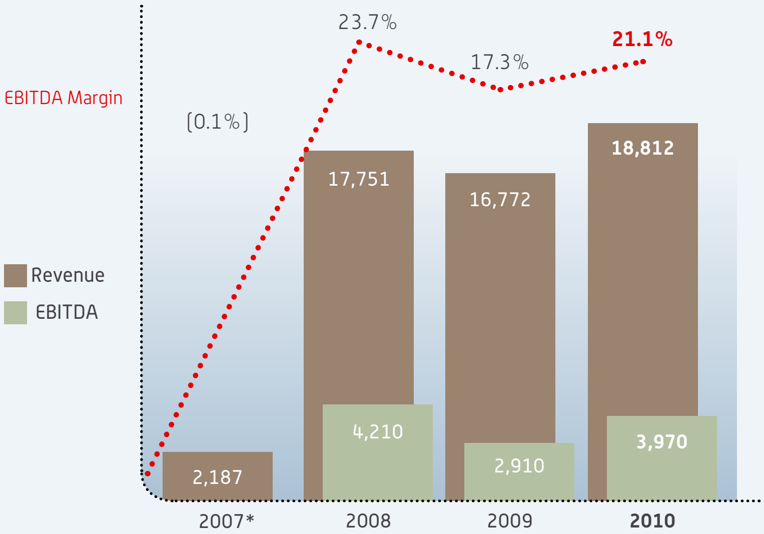
Longview experienced positive growth in 2010 with both the Corporate Performance Management (CPM) and Tax markets returning to double digit percentage growth. We more than matched the market with overall revenue growth of 12.2% and license growth of 32.7%. Strong growth in sales funnel activity throughout the year was reflected in higher levels of performance in H2, positioning us well for continued performance improvements in 2011.

Financial highlights 2010

- On the back of favorable exchange rates, total revenue increased by 12.2% to € 18.8 million (FY 2009: € 16.8 million). Organic revenue increased 3.3% (FY 2009: € 18.2 million).
- Both license revenue (32.7% growth) and maintenance revenue (15.1% growth) contributed to the increase in overall revenue. With attrition being close to zero, Longview's maintenance base continued to increase steadily. Service revenue increased only 1.5% versus FY 2009 as a result of the completion of some relatively large and service-intensive projects during the course of 2009.
- Improved revenue momentum and favorable exchange rates pushed the EBITDA from € 2.9 million in FY 2009 to € 4.0 million in FY 2010.

Revenue and EBITDA development

(in € thousands)



* Longview was consolidated as of November 8, 2007.

(in € thousands)	FY 2010	Change	FY 2009 reported	Change	FY 2009 organic
Total revenue	18,812	12.2%	16,772	3.3%	18,205
EBITDA	3,970	36.4%	2,910	37.4%	2,889
EBITDA margin (in %)	21.1%	3.8 pts.	17.3%	5.2 pts.	15.9%

Corporate costs are not included in EBITDA of the regions.

Operating primarily in Canada and the United States, we have seen a rebound in the economic activity of the core target market that Longview addresses, with large enterprises reinvesting in technology and placing CPM and tax solutions high on their priority lists. After two years of shrinking average deal sizes in the CPM market, we have seen both a growth in market activity and in the average deal size.

Longview has historically been a very customer-centric organization and in recent years we have been even more acutely focused on our customer relationships. Our historically high levels of customer satisfaction were recognized in the marketplace when Gartner identified Longview as the number one ranked Tier 1 CPM provider in their October 2010 CPM Customer Satisfaction Survey. The growth in our maintenance revenue at 15%, and exceptional customer retention rate, better than 97%, also confirms the success of this strategy.

Longview Corporate Performance Management

The traditional CPM market returned to growth in 2010, with large organizations recognizing that performance management solutions are an important tool in providing insight and strengthening competitive advantage.

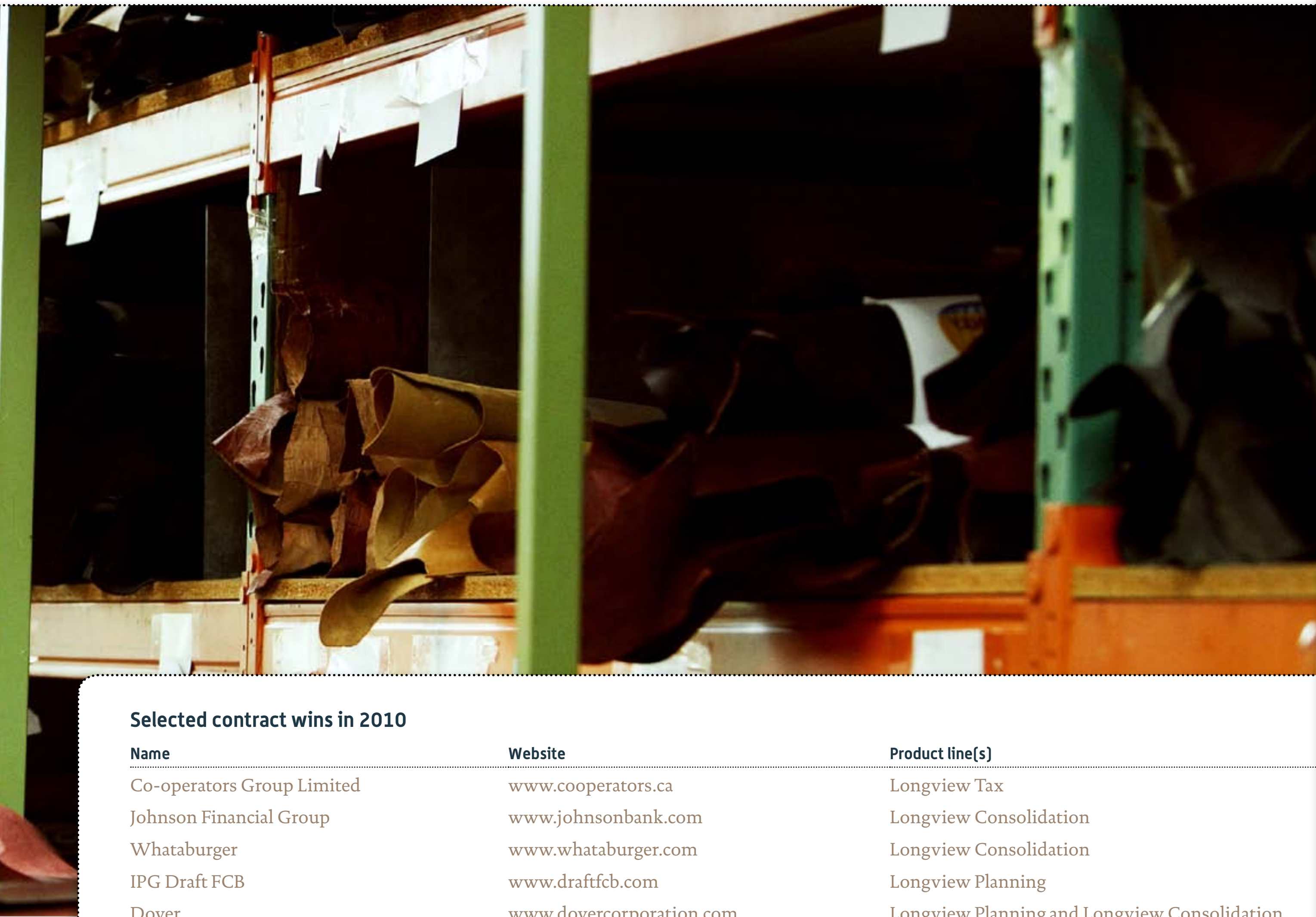
While planning and budgeting solutions represent the majority of opportunities in the CPM market,

we have also seen renewed activity in consolidation solutions. We are optimistic that the release of the newly developed FXR – Disclosure Management and XBRL solution will add to our sales in 2011. Although only released for general availability late in 2010, we made two FXR sales in Q4 and saw a substantial amount of sales funnel activity around this product offering. Other investments in R&D that paid off in 2010 and position us very well in 2011 were our integration with Microsoft and MicroStrategy. Extensive Microsoft Sharepoint and Excel integration differentiates our product offering in both CPM and Tax, while our integration and preferred CPM partner relationship with MicroStrategy has opened a substantial new lead generation channel that resulted in several large sales in Q4 2010.

Longview Tax

The tax technology market matured substantially in 2010 with buyers becoming more sophisticated and vendors looking strategically beyond providing simple point solutions for tax reporting and provisioning. In this respect, the investments that we have made in our Tax solution over the last few years are paying off. Tax executives and CFOs have recognized the importance of technology in addressing the broader issues around the efficiency and effectiveness of tax processes.

Demand is therefore growing rapidly for full suite analytic solutions for tax departments. This direction has been part of our product vision from the outset, and with the release of Tax on the Longview 7 platform in 2010, we are now positioned to begin offering a



Selected contract wins in 2010

Name	Website	Product line(s)
Co-operators Group Limited	www.cooperators.ca	Longview Tax
Johnson Financial Group	www.johnsonbank.com	Longview Consolidation
Whataburger	www.whataburger.com	Longview Consolidation
IPG Draft FCB	www.draftfcb.com	Longview Planning
Dover	www.dovercorporation.com	Longview Planning and Longview Consolidation
Cascades	www.cascades.com	Longview Planning and Longview FXR
Gaz Metro	www.gazmetro.com	Longview Consolidation
ING Canada	www.ingdirect.ca	Longview Planning
Allergan	www.allergan.com	Longview Planning
Viant (renamed MultiPlan)	www.multiplan.com	Longview Planning

broader base of offerings in our full tax suite. In addition to offering functionality addressing tax reporting and provisioning, we now offer solutions for tax data collection, uncertain tax positions, and tax data warehousing. 2010 was a significant year in that several of our Tax customers implemented solutions addressing these broader areas of functionality, utilizing the Longview platform.

Even though our Tax solution serves the same target audience as our CPM offering, tax solution prospecting still requires a separate sales cycle. Buying behavior is different and is strongly influenced by external parties like auditors and advisors. In 2010 we significantly strengthened our relationships with third-party tax service providers and this has contributed to the continued growth of our tax sales funnel. While the number of tax opportunities exceeds CPM, the value of a Longview tax solution is typically lower when compared to a CPM order.

Additionally, tax solutions are usually sold as term licenses. This has an impact on license revenues in the year the order is taken, but, when combined with our market-leading customer retention rates, positions us for more predictable long-term growth.

4 Risk management and corporate governance

A solid foundation is vital for any business. It's the structure of a building and the roots of a tree. Keeping our feet on the ground gives us the freedom to focus on adding value.

Jeroen Bruins Slot | Legal Affairs Director

"We have a comprehensive and systematic approach in place to periodically review the internal management and control systems in place."

Risk management and corporate governance

Managing risk is an essential element of entrepreneurship. In fact, accepting a certain level of risk is a prerequisite for achieving our strategic objectives and financial targets. We believe that our internal financial risk management and control systems provide reasonable assurance that our financial reporting does not contain material incorrectness. We have no indications that the risk management and internal control systems that we have in place did not function properly in 2010, and no indication that these will not work properly in 2011.

It is important to note that the proper design and implementation of risk management and internal control systems significantly reduces but cannot fully eliminate the possibility of human error, poor judgment when making decisions, control processes being deliberately circumvented by employees and others, the overriding of controls by management, or the occurrence of unforeseeable circumstances. Another limiting factor is the need to consider the relative costs and benefits of risk responses.

A properly designed and implemented risk management and internal control system will therefore provide reasonable but not absolute assurance that a company will not be hindered in achieving its business objectives, or in the orderly and legitimate conducting of its business. In this context, reasonable assurance refers to a degree of certainty that would be satisfactory for a prudent manager in the management of his or her affairs under the given circumstances.

Projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with our standing policies, procedures and instructions may deteriorate.

Monitoring and reporting systems

We use our own software (Exact Globe and Exact Synergy) in virtually all of our subsidiaries worldwide. This software enables all management layers to monitor and authorize all operational, financial, legal and human resource-related transactions by employees on a real-time basis from anywhere in the world. In addition to quantitative information, Exact Synergy also provides qualitative management information related to the development of the prospects portfolio; sales funnel conversion; planning and capacity usage of consultants; as well as employee development and reviews, customers complaints, and legal claims.

In addition, the monitoring of financial consolidation and corporate performance is facilitated by the use of our own Longview product. In 2010, we started implementing Longview Tax internally.

By using our own software solutions globally, we have structured our risk management and control systems in such a way that:

- every region and business unit has sufficient insight into its market position, and clarity about strategy and the financial and operational goals that have to be achieved by that region or business unit;
- management gets reliable and timely information about the state of affairs in the different regions and business units;
- our assets and resources are managed properly;
- sufficient control information (performance indicators) is provided to assess and improve the effectiveness and efficiency of our primary processes;
- monthly reporting is monitored in detail via month-end checklists that are reviewed by regional controllers, financial group management, and the Board of Managing Directors;
- we obtain early insight into the quality, availability and development needs of key staff members.

Each regional board reports monthly on a number of defined KPIs. A consolidated report of defined KPIs is submitted monthly to the Supervisory Board.

Guidelines and policies for financial reporting and related procedures

We have developed and implemented guidelines and procedures for financial reporting, budgeting and planning processes, risk management, treasury, customer complaints and claims, and human resource management.

These guidelines and procedures are reviewed periodically and revised when necessary. Our employees are trained to implement and comply with these guidelines and procedures.

Our financial statements and those of our subsidiaries are audited annually by an external auditor. The external auditor reports regularly and discusses his findings with the Audit Committee and Supervisory Board.

Risk analysis surveys

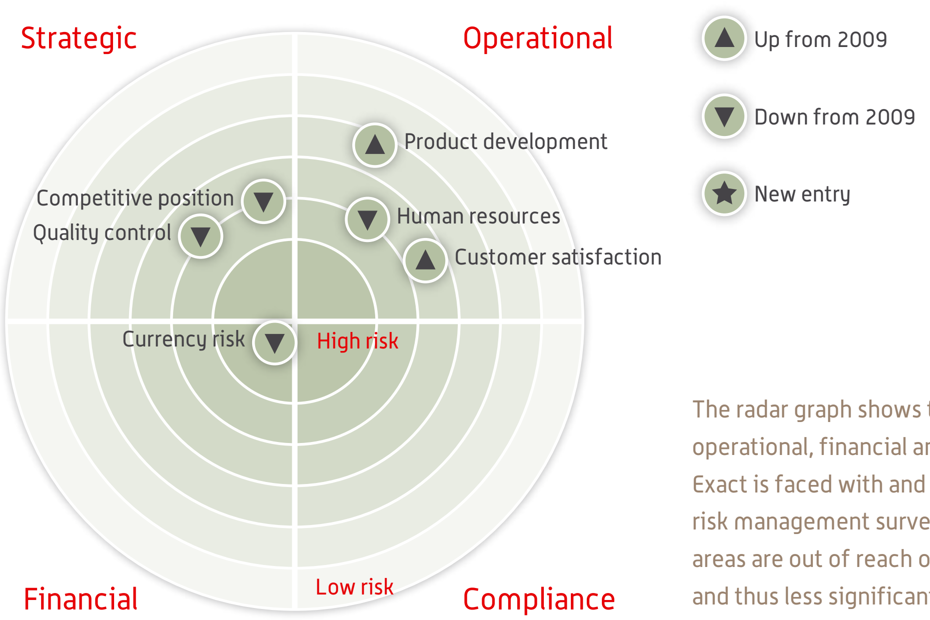
We regularly discuss internal risk management and control systems with the Audit Committee of the Supervisory Board. In evaluating our risk management and control systems, we use the COSO Enterprise Risk Management

Framework as a reference. In addition, we have an independent Internal Audit Department. This reports every quarter, or whenever deemed necessary, directly to the CEO and the chairman of the Audit Committee of the Supervisory Board.

Since 2008 we have employed a comprehensive and systematic approach to periodically reviewing the internal risk management and control systems in place and, where necessary, making recommendations for improvement. This is done by means of a risk management survey that is conducted among all management layers globally. This bottom-up approach creates a picture of the risks as perceived by our operations. The risk management survey is conducted annually and the 2010 data was analyzed and compared with previous surveys. This enables us to map risks consistently throughout the forecast period, as established by the Audit Committee of the Supervisory Board.

Key risks

The following risk overview highlights the main risks known to us that could hinder us in achieving our strategic and financial business objectives. The risk overview may not, however, include all the risks that may ultimately affect us.



The radar graph shows the key strategic, operational, financial and compliance risks Exact is faced with and identified in the risk management survey. Other key risk areas are out of reach of the radar graph and thus less significant.

Strategic risks

Competitive position

We operate in a consolidating industry with several large competitors. Our competitive position depends on our ability to develop and market distinctive products and solutions. At the same time, we see software buying behavior moving towards SaaS (software as a service) and pay-per-use models. Success with SaaS is vital to prevent the loss of market share as this, in turn, would result in declining revenues over time. To reinforce our competitive position, gain market share and restore organic growth, we will focus on offering solutions for selected market sectors and focus in our international route to market on a limited number of countries and small multinational companies.

Quality control

Product issues can negatively impact our reputation and could have a material impact on our overall revenue. Strict quality control measures in our development process and targeted customer service initiatives, including our customer advocate program, are in place to mitigate this risk.

Business climate

Our revenue is derived from the sale of licenses, maintenance contracts, and services. We have seen in 2010 that – after two years of decline – license revenue is gradually increasing again. This will fuel maintenance and service revenues. To continue growing our license revenues, we will have to continue attracting new customers. The demand for SaaS offerings is growing. Because SaaS offerings are sold on a term or subscription basis, we do not receive license revenues at the moment we sign a contract. Instead, the revenues are spread over the term or subscription period. At the same time, we are experiencing an increasing demand for subscription pricing or pay-per-use models for on-premises software solutions. This development may cause some temporary pressure on our revenues. Our high rate of recurring maintenance revenue will provide a stabilizing factor for such license revenue developments.

Acquisitions and divestments

A balanced spread of turnover and profit worldwide is important in order to avoid being too dependent on certain countries or markets. We generate a significant share of our revenues in the Netherlands. The growth we seek to achieve depends partly on acquisitions. In general, acquisitions involve greater risk than organic growth. We are endeavoring to minimize these risks by carefully selecting acquisition candidates and by performing detailed analysis and evaluation during the acquisition process. A multidisciplinary project team ensures the swift and efficient integration of new acquisitions.

Acquisitions will only be made if they add to our strategic direction. Acquisitions could involve technology additions that would complete our propositions for our selected market sectors, or they could reinforce our go-to-market strategy for our Exact Online SaaS offering in our selected market sectors and geographies.
Over the last 18 months we have divested non-core assets in line with our increased focus on market sectors and our international route to market. These divestments enable us to concentrate on focusing management attention on the chosen strategic direction.

Operational risks

Product development

Our future lies in our ability to continue developing world-class software. We therefore have a dedicated Solution Board. The Solution Board’s role is to align our products and solutions with the needs of our customers in our selected market sectors, with future market opportunities, and with functionality or technology opportunities. New market developments are closely monitored by our research center in Delft, the Netherlands.

Human resources

While our central objective is to deliver software solutions for our customers, we recognize the importance of our employees. Loss of key employees can result in a knowledge gap and can significantly impact performance. We provide a varied training program and career opportunities in order to retain employees. Our updated Job House, for example, will be introduced in April 2011. The new Job House provides our employees with more transparency regarding promotion requirements and career possibilities.

Customer satisfaction

Customers do not just want software; they expect a business solution. The key to customer satisfaction is to provide them with solutions that deliver the results they expect. Failing to provide the anticipated results could result in the loss of future orders and payment issues. We use a standard implementation methodology to mitigate this risk.

Financial risks

Currency risk

Our financial statements are in euros, but we have subsidiaries throughout the world. This means we are subject to fluctuations between our reporting currency and the different currencies of our various non-euro subsidiaries. For 2010, 42.1 % (2009: 40.1%) of our revenue and 42.7% (2009: 42.7%) of our operating expenses were denominated in currencies other than the euro. An important part of our result is earned in US dollars.

Although we generated approximately 25.7% (2009: 23.7%) of our revenue in US dollars in 2010, the impact of US dollar exchange rate fluctuations on EBITDA and net income was partly compensated by a natural hedge caused by expenses in US dollars and/or expenses in other currencies fluctuating in line with the US dollar. Please refer to note 7.6 in the financial statements for a further breakdown.

Tax risk

As an international company we have significant cross-border intercompany transactions. Because of increasingly complex transfer-price legislation, there is a chance that we may run into discussions about full compliance with local legislation. In 2009 we introduced a refined transfer pricing policy that has enabled us to mitigate this risk.
In addition, during 2010 we started the implementation of Longview Tax. By using Longview Tax we are taking additional steps towards the achievement of a stringent tax control framework.

Litigation risk

We are involved in a number of legal proceedings. Although we believe that we have sound legal grounds to defeat these claims, we have established sufficient provisions to cover possible future exposure.

Financing

We had a strong balance sheet and freely available cash resources of € 58.1 million at the end of 2010. This was despite the payout of the final dividend for 2009 and an interim dividend for 2010. This strong balance sheet, coupled with the historically strong operational cash flow, means we believe that we currently face no financing risk. Nevertheless, we secured credit facilities of € 20 million and US$ 7 million with two major banks. We have not used these.

Liquidity risk

Thanks to strong fundamentals and the underlying cash flow-generating nature of our business, we aim to maintain our funding flexibility by keeping sufficient cash and cash equivalents at hand. As a result of the company's strong cash balance and historically strong cash flow, we expect limited liquidity risks in the near future. We frequently evaluate the stability of the banks at which we deposit our excess cash. If market conditions necessitate, we transfer the cash balance to other banks that are deemed more stable or secure. We look at credit ratings from external sources but do not rely on these exclusively.

Shareholder risk

We continue to have a concentrated ownership, with 61.3% of the outstanding shares held by shareholders who hold more than 5% of our shares (see chapter 6: Share and shareholder information). This results in a limited free float of shares on the stock market.
Please note that this overview of key risks is not exhaustive and that we may be subject to other significant risks that have not yet been identified or have been assessed as not having a potentially significant impact on the business but which could materialize as such at a later stage.

Corporate governance

Compliance with the Dutch Corporate Governance Code

Good corporate governance is in the best interests of Exact and all our stakeholders. For this reason, we support the majority of the principles set out in the Dutch Corporate Governance Code ("the Code"), and have been doing so since 2005. There were no material changes in Exact's corporate governance structure in 2010, or in our compliance with this.

Our corporate website (www.exact.com) contains the following information and documentation as prescribed in the Code:

- Articles of Association of Exact Holding N.V.
- Regulations for the Board of Managing Directors
- Regulations for the Supervisory Board and its committees
- Profile and composition of the Supervisory Board
- Composition of the committees
- Remuneration report
- Rotation schedule
- Whistleblower regulations
- Regulations for the ownership and transactions in shares
- Presentations and minutes of the general meetings of shareholders
- Presentations of analyst meetings

We have implemented the revised Code with due observance of our position as a small, stock exchange listed company. We add the following remarks:

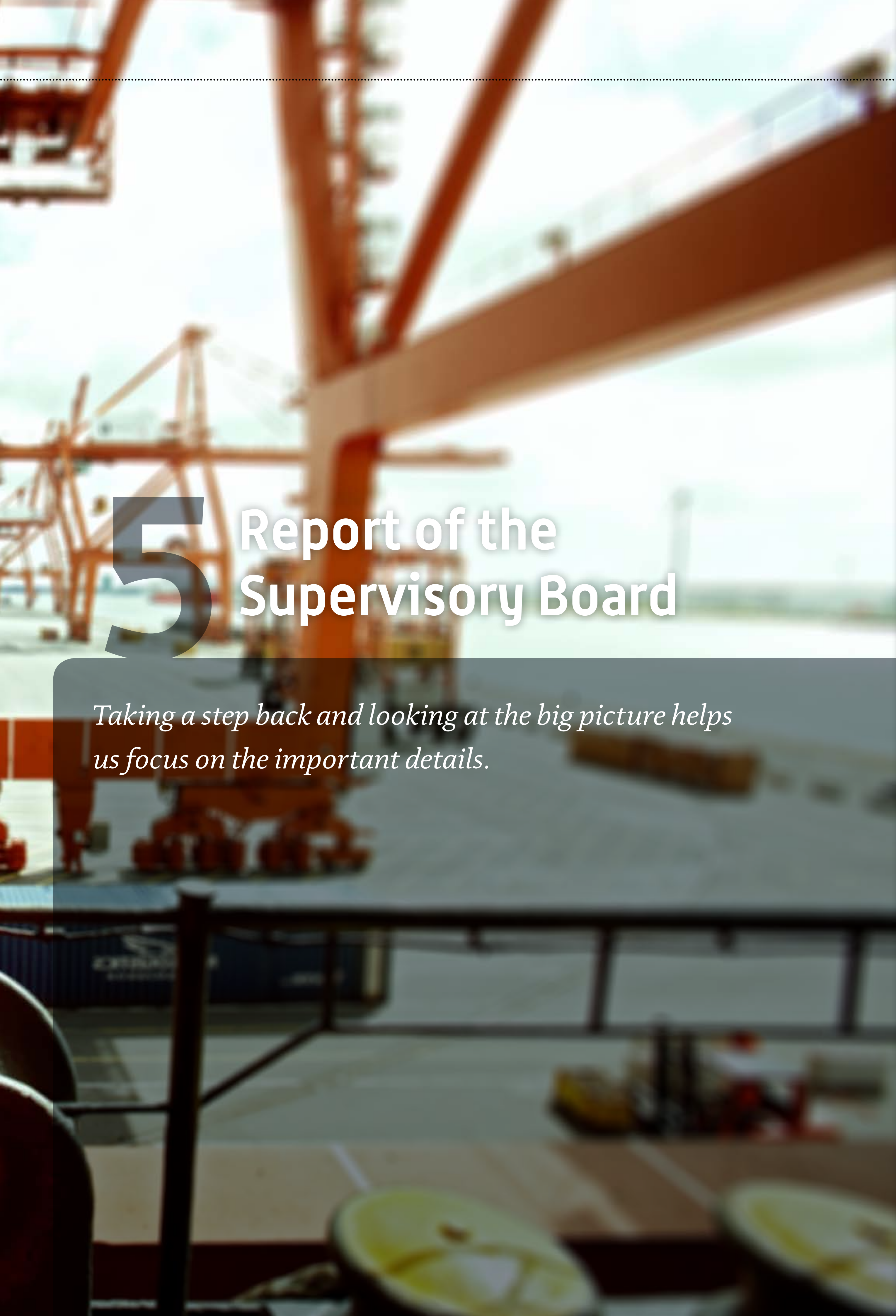
II.1.3.b:	We will draft a code of conduct that will be published on our corporate website.
II.2.8:	The severance payment for one of the members of the Board of Managing Directors is set at a maximum of one year's salary ("fixed part") (see the Report of the Remuneration Committee).
II.2.10:	The STIP and LTIP plans for the members of the Board of Managing Directors contain a clawback clause (see the Report of the Remuneration Committee).
II.3.2-II.3.4:	During 2010 there were no transactions by a member of the Board of Managing Directors that involved a potential conflict of interest. The provisions of best practice II.3.2 - II.3.4 have been adhered to.
III.3.6:	As the current and formal term of appointment for all members of the Supervisory Board expires in 2013, the Supervisory Board has drafted a rotation schedule aiming for the members of the Supervisory Board to rotate off before the formal end date of their appointment . This is available on our website.
III.6.1-III.6.3:	During 2010 there were no transactions by a member of the Supervisory Board that involved a potential conflict of interest. The provisions of best practice III.6.1 - III.6.3 have been adhered to.
III.6.4:	During 2010 there were no transactions involving persons owning 10% or more of Exact's shares. The provision of best practice III.6.4 has been adhered to.
IV.3.13:	The policy relating to bilateral contacts with shareholders will be formulated.

Management statement

Pursuant to the implementation of the Transparency Directive (Directive 2004/109/EC) into Dutch legislation on December 24, 2008, the Board of Managing Directors states that to their knowledge (1) the annual accounts in this annual report give a true and fair view of the assets, liabilities and financial position and profit and loss of Exact and its related companies; (2) the annual management report in this annual report gives a true and fair view of Exact and its related companies as at the balance sheet date and the state of affairs during the financial year to which this report relates; and (3) the annual management report describes the material risks Exact is facing.

Delft, March 31, 2011

Martijn Janmaat, CEO
Max Timmer, CFO



5 Report of the Supervisory Board

Taking a step back and looking at the big picture helps us focus on the important details.

"The new strategic focus marks clear choices aimed at restoring organic revenue growth."

Rolf Deves | Chairman

E.R. (Rolf) Deves | Chairman

Member of the Audit Committee and member of the Remuneration Committee
Chairman of the Selection and Nomination Committee

Year of birth: 1947
Nationality: Dutch
Current position: Founder and Managing Partner, Holland Venture and Holland Venture III B.V.
Formerly: Director of International Factors B.V.
Date of initial appointment: April 23, 2009
Current term of office: 4 years
Rotation: 2011

Other positions

- Chairman of the Supervisory Board of Macaw Technologies B.V.
- Chairman of the Supervisory Board of BlueCielo B.V.
- Chairman of the Supervisory Board of Login B.V.
- Chairman of the Supervisory Board of Decell Technologies
- Board member of St. Administratiekantoor Groothandelsgebouwen

Rob Hoevens | Vice Chairman

R.J. (Rob) Hoevens | Vice Chairman

Chairman of the Audit Committee and Chairman of the Remuneration Committee
Member of the Selection and Nomination Committee

Year of birth: 1959
Nationality: Dutch
Current position: Advisor, Entrepreneur and Investor
Formerly: CFO of the European Continental Board of Directors of PricewaterhouseCoopers, member and CFO of the Board of Management of PricewaterhouseCoopers (The Netherlands)
Date of initial appointment: April 23, 2009
Current term of office: 4 years
Rotation: 2013

Other positions

- Member of the Supervisory Board of Woonbron
- Member of the Supervisory Board of Rederij SS Rotterdam and Exploitatie Maatschappij SS Rotterdam
- Board member and treasurer of WNL
- Board member and treasurer of the Marathon365 (Wheel of Energy) Foundation
- Chairman of the Advisory Board of 3Stone Real Estate
- Chairman of the Advisory Board of ErasmusvanWees BV
- Chairman of the Advisory Board of MASC Company BV
- Member of the Advisory Board of iTV Media
- Member of the Advisory Board of the Vanto Group

Report of the Supervisory Board

The year 2010 was a year of changes and choices for Exact: changes in management and strategic focus, and choices to focus on restoring organic growth and becoming a more market-driven company. We have been closely involved in the changes and choices made and we are convinced that these changes and choices are the right ones to restore profitable organic growth in the future.

Changes in the Supervisory Board

We started 2010 with three members: Rolf Deves (Chairman), Rob Hoevens and Martijn Janmaat. With his appointment as CEO in August 2010 and as a member of the Board of Managing Directors in August 2010, Martijn Janmaat stepped down as a Supervisory Board member. Together with management and in close cooperation with the works council, we drafted a profile for new members (available on the company's website: www.exact.com) and started a search. Our goal is to find candidates who will bring relevant expertise and complement the skills and knowledge of the existing members. In order to ensure continuity and a better balanced workload within the Supervisory Board, we will look for two candidates.

In February 2011 we were happy to announce that Thierry Schaap was nominated and will be proposed as a candidate for appointment as a member of the Supervisory Board and Chairman of the Remuneration Committee by the General Meeting of Shareholders, on May 26, 2011.

Changes in the Board of Managing Directors

The first management change was the appointment of Max Timmer as CFO as of January 1, 2010 and as a member of the Board of Managing Directors in the General Meeting of Shareholders in April 2010. With this CFO appointment, the composition of the Board of Managing Directors again complies with the provisions in Exact's articles of association.

The second management change was the appointment of Martijn Janmaat as CEO as of July 31, 2010. Martijn Janmaat succeeded Raj Patel, who stepped down after 14 years with Exact, including five years as CEO. Raj Patel led Exact through the worst financial crisis in 50 years, delivered on the promise to protect EBITDA and cash collection, and left the company in excellent financial shape.

Besides changes in the Board of Managing Directors, there were also changes in the Executive Committee. These involved the appointments of a new marketing director, a new managing director for the Netherlands, and a new managing director for EMEA/APAC. Looking at the composition of the Executive Committee, we are confident that it contains the right mix of experience, drive and commitment required to execute Exact's strategic goals and achieve its targets.

Change in strategic focus

Shortly after the appointment of Martijn Janmaat, Exact initiated a strategic review. We were informed regularly regarding the progress of the review and the preliminary findings. The final conclusions and recommendations were presented to us by the Board of Managing Directors in November 2010 and we approved the new strategic focus for Exact going forward. The new strategic focus was presented externally in December 2010.

Clear choices

Clear choices led to the new strategic focus aimed at enabling Exact to restore organic revenue growth. To this end, Exact wants to become a more market-driven company, offering propositions for selected verticals in manufacturing, professional services and wholesale and distribution, and SaaS-based offerings to small and medium-sized companies and accountants, rather than offering horizontal and generic products to its customers. This represents a truly big step and mindshift.

Exact further reviewed the effectiveness of its EMEA/APAC go-to-market strategy targeting small and medium-sized subsidiaries of international companies. The review confirmed that this go-to-market strategy is a viable business model, provided it is rationalized, spread across fewer countries, and executed with a clear focus on international companies. The clear choice Exact has made is to focus its EMEA and APAC operations on five so-called headquarter-rich countries, plus a number of others where it has a certain scale. As a consequence, Exact will close its operations in some countries during 2011 and, going forward, run these operations, plus customer support and delivery services, from hubs.

While the most successful product in Exact's history in terms of growth, the review also included Exact Online and, more specifically, its international rollout. The review showed that a successful development would require a more differentiated offering of Exact Online: one targeted at companies with two to five employees; one targeted at companies with up to 25 employees; and one targeted at or suitable as a platform for accountants. Exact has made the clear choice to turn Exact Online into three propositions: Exact Online Easy, Exact Online SME and the Exact Online for Accountants, all based on one source code. These offerings will be launched first in the Benelux market and, when proven successful, may be rolled out to other countries. As a result, the pilot for Exact Online in Turkey was stopped. Together with management we will closely monitor the execution and impact of the changes and choices of the organization and its results, and will, if and when necessary, amend the speed of execution to ensure a smooth process.

Business and financial performance

Although the business climate gradually improved during 2010, it was only in the second half year that the total revenue of Exact showed growth compared to the same period in the previous year. On a full-year basis, revenue declined by 1.9%, but looking at the positive license revenue trend from the second quarter onward, the stable maintenance revenue and the positive trend in the service revenue as of the fourth quarter, the underlying business trend is positive.

The performance of the Netherlands, Americas and Longview was good. The performance of the EMEA and APAC regions was disappointing and underlines the need to change and rationalize our international operations. The proper execution of the clear choices made during the strategic review will certainly improve the performance of the EMEA and APAC regions in the years to come.

The current dividend policy as adopted by the shareholders in 2005 is to pay out 100% of net result. With an interim dividend of € 0.52 per share having been paid on August 13, 2010, the final dividend based on the dividend policy would amount to € 0.93 per share. The company currently has some excess cash, amongst others because of the receivables collection programs, which is not foreseen to be required in the normal course of the company's operations. The Board of Managing Directors will therefore propose to distribute some of the excess cash to the shareholders. The proposal, which does not mean a change of the dividend policy, will be to distribute a one-time additional € 0.57 per share, bringing the final dividend to € 1.50 per share and the total dividend for 2010 to € 2.02 per share.

Supervisory Board meetings

During the year under review we held seven formal meetings according to a fixed schedule, as well as a number of informal meetings with the Board of Managing Directors and members of the Executive Committee. We also met four times with the company's works council in the Netherlands and discussed various topics relating to Exact as an employer.

In the Supervisory Board meetings we discussed a variety of topics, including Exact's business and organization in general; the competition; the financial reporting process; the financial results in relation to the budget, forecast and guidance; and the internal management control, risk management and reporting structure. Furthermore, we discussed the outcome of the strategic review and the impact on the organization in detail with the Board of Managing Directors and members of the Executive Committee.

As Supervisory Board we fully underwrite the clear choices and focus areas to restore organic profitable growth. In the years to come we will closely monitor the achievement of the goals that have been defined. In the budgeting process for 2011 the strategic growth drivers and key focus areas have been taken into account and reflected in investments, staffing and organizational matters. The internal organization has been aligned with the new focus areas and implementation has started.

Apart from the issues mentioned above, the Supervisory Board addressed and decided on the issues that were reported on by its committees. Those topics are included in the respective committee sections of this chapter.

5.1 Report of the Audit Committee

Members of the Audit Committee

Rob Hoevens – Chairman
Rolf Deves

The primary task of the Audit Committee is to monitor and supervise that Exact maintains adequate procedures and control systems to manage the financial and operational risks to which it is exposed, and to oversee the integrity of its financial reporting.

The Audit Committee met three times during the year under review. All the meetings were attended by Exact's external auditor, Ernst & Young Accountants. The Internal Audit Department was invited to all three meetings.

We reviewed and discussed with management, the external auditor and the Internal Audit Department the functioning of the company's internal risk management and control systems, the use of internal IT systems, the outcome of the internal risk management survey, and the proposed actions relating to these. We were also actively involved in scoping the audit work for the 2010 audit to be performed by the external auditor.

Furthermore, we reviewed and discussed compliance with legal obligations in various countries, the periodical financial reports provided by the company, the activities and policies in areas such as tax and impairment tests, the WACC calculation, and the cash management and deposit structure. We also closely monitored the Tax Control Framework and the application for and granting of the Innovation Box program in the Netherlands. Another point of attention was the global collection of accounts receivable and the associated reduction of the days sales outstanding.

Separately, we reviewed the role of the external auditor, its independence, and its non-audit activities. We further evaluated the relationship with the external auditor, as Exact has had the same external auditor for nine years. Together with management we initiated a tender among audit firms. We will share the outcome of this with the General Meeting of Shareholders on May 26, 2011. In the same meeting we will, together with the Board of Managing Directors, submit a proposal to appoint an audit firm for the 2011 audit.

We have found that the company is under good control, and that internal risk management and control systems are in place and function well. The financial reporting is on time and complete and the cooperation between management, the Internal Audit Department and the external auditor is good. The external auditor has confirmed these findings, but has also made recommendations to the Board of Managing Directors to further improve the internal organization, including comments on the financial statement closing process. We are monitoring actions by the Board of Managing Directors on all recommendation made.

5.2 Report of the Remuneration Committee

Members of the Remuneration Committee

Rob Hoevens – Chairman
Rolf Deves

The primary task of the Remuneration Committee is to advise and submit proposals to the Supervisory Board relating to the remuneration policy and the remuneration of individual members of the Board of Managing Directors. During the year under review the Remuneration Committee met twice. In February 2010 we assessed the degree to which the 2009 targets were achieved under the short- and long-term incentive plans for the Board of Managing Directors, and set the financial and non-financial targets under the short- and long-term incentive plans for 2010. We did not make any changes to the remuneration structure as adopted by the General Meeting of Shareholders, which we reiterate below.

Remuneration structure

Exact's remuneration structure and the actual levels of remuneration for each of the members of the Board of Managing Directors are determined by the Supervisory Board, within the scope of the remuneration policy, as adopted by the General Meeting of Shareholders in June 2005. This remuneration policy has not changed since 2005.

The remuneration structure is focused on the attraction, motivation and retention of qualified and professional executives with the intention of achieving a balanced composition in the Board of Managing Directors. The board's composition should fit the character and strategy of Exact as a listed and internationally operating software company. In essence, the remuneration structure should reflect the strategic and operational goals set out in the strategic plan, both in the short and long terms.

The current remuneration structure was defined in 2009. To best reflect the market in which Exact competes for executive talent, the remuneration structure was based on a sector-specific international labor market peer group combined with Dutch cross-industry companies of comparable size and scope. The Supervisory Board will reconsider the base salary levels annually according to the labor market peer group and will take both internal and external trends and developments into account.

The remuneration package for the Board of Managing Directors consists of a base salary, a short-term cash incentive (i.e., annual bonus), a long-term incentive, and other benefits. Exact does not operate a pension arrangement for the members of the Board of Managing Directors. We strongly believe that any successful remuneration policy must include a significant performance-related focus. The on-target total remuneration comprises almost 50% variable pay (short-term and long-term incentive).

Remuneration package structure

		CEO		CFO	
Base salary			€ 400,000		€ 275,000
Short-term incentive	minimum**	25% of base	€ 100,000	22.5% of base	€ 61,875
	on target	50% of base	€ 200,000	45.0% of base	€ 123,750
	maximum	75% of base	€ 300,000	67.5% of base	€ 185,625
Long-term incentive*	minimum**	20% of base	€ 80,000	17.5% of base	€ 48,125
	on target	40% of base	€ 160,000	35.0% of base	€ 96,250
	maximum	60% of base	€ 240,000	52.5% of base	€ 144,375
Total remuneration	**minimum****		**€580,000**		**€ 385,000**
	on target		**€ 760,000**		**€495,000**
	maximum		**€ 940,000**		**€ 605,000**

* The long-term incentive plan (LTIP) is a share-based plan with an annual grant of conditional performance shares, whereby shares become unconditional in a period of three years after date of grant, subject to performance targets.
** provided that the applicable tresholds are exceeded.

Base salary

In line with the remuneration structure the base salary of the CEO amounts to € 400,000 gross per annum and for the CFO to € 275,000 gross per annum.

Short-term incentive

The short-term incentive (annual cash bonus) is linked to measurable and predetermined performance criteria that reflect Exact's short-term strategy and operational targets. A focus is set on financial performance measures that include a revenue target (56% of bonus) and profit margin (24% of bonus). The non-financial performance measures (20% of bonus) relate to personal targets. We retain the right to adjust the weights and targets according to future strategic and operational developments.

In the event of on-target performance, the annual bonus amounts to 50% of base salary for the CEO and 45% of base salary for the CFO. If the thresholds of 75% for individual targets are not achieved, no bonus will be paid. The maximum payout under the short-term incentive plan is capped at 75% of base salary for the CEO and 67.5% for the CFO. Specific targets are not disclosed, as these might contain commercially sensitive information. We ensure that the targets are evaluated annually and set according to ambitious yet realistic levels.

Long-term incentive

The long-term incentive plan is comprised of an annual conditional grant of performance shares. This offers the flexibility of setting annual targets to realistically reflect strategy and to incorporate both internal and external developments. Furthermore, adding relative TSR (total shareholder return) to the combination of organic and other revenue and profit margin targets further aligns the long-term incentive with the interests of shareholders, the preferences of institutional investors, and Dutch market practice.

The long-term incentive plan is formulated to present a concrete and direct reflection of the ambitious strategic plans. We prefer performance shares as a payment vehicle to align the interests of the Board of Managing Directors with the interests of shareholders. The expected value of the conditional grant of the shares under the LTIP yields a payout of 40% for the CEO and 35% for the CFO.

The performance measures include an organic revenue target after three years (40%), profit margin over three years (20%), and relative TSR after three years (40%). TSR is measured over a three-year period, starting at the moment of grant, relative to the following companies:

- Cegid Group SA (France)
- Epicor Software Corporation (United States)
- IFS AB (Sweden)
- Intuit (United States)
- Lawson Software Inc.(United States)
- Oracle Corporation (United States)
- SAP AG (Germany)
- The Sage Group (United Kingdom)
- Unit4 (The Netherlands)

The payout for the relative TSR component of the long-term incentive plan is based on the relative position of Exact within the TSR performance peer group. A sub-median ranking (i.e., sixth position or lower) results in zero payout. We are solely responsible for the judgment and evaluation of the performance rendered by the Board of Managing Directors and the corresponding levels of variable payment under the short-term and long-term plan rules. We will reassess the remuneration structure every three years, but remuneration levels will be reconsidered annually to account for internal and external trends and developments. We will submit any material adjustment to the remuneration structure for adoption by the General Meeting of Shareholders.

Remuneration in 2010

The remuneration package for the Board of Managing Directors in 2010 was in line with the remuneration structure. Given the changes in the composition of the Board of Managing Directors, we will specify the remuneration for each of the members individually.

From January 1, 2010 to July 31, 2010 Raj Patel received a base salary of € 435,784 gross, which includes payment in lieu of notice of € 200,000 gross. Raj Patel further received a short-term incentive of € 75,000 gross over the same period, which is 75% of the on-target short-term incentive over the first half year. There was no vesting of shares to Raj Patel under the long-term incentive plans for 2009 or 2010. Raj Patel did receive severance pay amounting to € 200,000 gross.

Martijn Janmaat began the handover process with Raj Patel as of July 1, 2010, based on a contractor agreement for a period of one month. Martijn Janmaat, through his management company, invoiced € 32,000, excluding VAT. A new contractor agreement was signed for the period August 1, 2010 to August 31, 2011. This is the same period as the appointment of Martijn Janmaat as a member of the Board of Managing Directors by the Extraordinary Meeting of Shareholders on August 23, 2010. In this meeting the proposal to grant Martijn Janmaat an all-inclusive fee of € 430,000 excluding VAT per year, in line with the current remuneration structure was agreed. Martijn Janmaat is entitled to a short-term incentive of 50% of base remuneration over the period of August 1, 2010 to August 1, 2011, in accordance with the remuneration structure. The contractual arrangement does not contain any provision for severance pay nor any other payment in case of a change of control. Because of the term of the contract, there is no entitlement under the long-term incentive plan.

Max Timmer received a base salary of € 275,000 gross and a short-term incentive of € 123,750 gross, which corresponds with a 100% achievement of the targets under the short-term incentive plan. As of January 1, 2010 Max Timmer received a conditional grant of 5,180 shares. In accordance with the long-term incentive plan, this amounted, at the average share price during the last 10 days of 2009, to € 96,250. In accordance with the long term incentive plan rules, these conditonal shares will vest over a three year period, provided that the defined targets are met.

Remuneration 2010

	Martijn Janmaat	Max Timmer	Raj Patel
Base salary	€ 211,167	€ 275,000	€ 435,784
Short-term incentive	€ 107,500	€ 123,750	€ 75,000
Provisional grant*	n.a.	5,180	Not granted
Severance pay	n.a.	n.a.	€ 200,000

* The long-term incentive plan (LTIP) is a share-based plan, whereby shares become unconditional in a period of three years after date of grant, subject to performance targets. The number of conditional shares is calculated based on the average share price in the last 10 days of the preceeding year.

Remuneration 2011

The remuneration packages for the Board of Managing Directors for 2011 have been set in accordance with the current remuneration structure and remuneration levels.

In line with best practice II.2.1 of the Code we have asked Towers Watson to perform a scenario analysis of the remuneration packages of the members of the Board of Managing Directors, which has been taken into account in determining the packages for 2011.

With the revised strategic direction of the company, we are currently reviewing the remuneration structure and assessing whether the remuneration structure allows for proper rewarding of behavior and results. Should the review result in changes to the remuneration policy or structure, this will be presented for approval to the General Meeting of Shareholders.

Remuneration 2011

		Martijn Janmaat		Max Timmer	
Base salary			€ 430,000		€ 275,000
Short-term incentive	minimum**	25% of base	€ 107,500	22.5% of base	€ 61,875
	on target	50% of base	€ 215,000	45.0% of base	€ 123,750
	maximum	75% of base	€ 322,500	67.5% of base	€ 185,625
Long-term incentive*	-	-	-	17.5% of base	€ 48,125
	-	-	-	35.0% of base	€ 96,250
	-	-	-	52.5% of base	€ 144,375
Provisional grant 2011 of conditonal shares under long-term incentive***			-		4,682
Total remuneration	**minimum****		**€ 537,500**		**€ 385,000**
	on target		**€ 645,000**		**€495,000**
	maximum		**€ 752,500**		**€ 605,000**

* The long-term incentive plan (LTIP) is a share-based plan, whereby shares become unconditional in a period of three years after date of grant, subject to performance targets.
** Provided that the applicable tresholds are exceeded.
*** The number of conditional shares is calculated based on the average share price in the last 10 days of the preceeding year.

Special conditions

The employment agreement of Max Timmer provides for a severance payment of a maximum of one year base salary in the event of the early termination of the employment agreement, and a fixed severance payment equal to one year base salary in the case of termination due to a change of control. This is line with best practice II.2.8 of the Code.

The short-term and long-term incentive plans provide, as of 2010, the right for the Supervisory Board to claim back part of the variable salary in the event of an outcome that is unreasonable and was not foreseen at the time of grant, or in the event the variable payment was based on incorrect financial information (the so-called "clawback" clauses).

5.3 Report of the Selection and Nomination Committee

Members of the Selection and Nomination Committee

Rolf Deves – Chairman
Rob Hoevens

Due to Raj Patel stepping down in July 2010 we met several times to discuss succession matters. We did not initiate a formal search as we were able to reach an agreement with Martijn Janmaat to accept the CEO position as of August 2010, for a period of one year.

On March 22, 2011 we informed the market with a press release that we have initiated a search for a new CEO, as Martijn Janmaat has decided not to extend his one year contract after August 31, 2011. We also informed the market that we aim to have suitable replacement by summer 2011, in order to provide for a proper handover.

We believe that the Board of Managing Directors should be extended further with a third member.

Specific information based on the Dutch Corporate Governance Code ("the Code")

Performance evaluation (III.1.7)
In a meeting not attended by the Board of Managing Directors, the Supervisory Board reflected on its profile and composition, as well as on its functioning and that of its individual members. The performance of the Board of Managing Directors was also reviewed in the same meeting and consequently discussed with each individual member of the Board of Managing Directors.

Strategy and risk evaluation (III.1.8)
The strategy and the main risks related to the company were discussed during consultations with the Board of Managing Directors, the Audit Committee, and the external auditor. Also discussed were the assessment by the Board of Managing Directors regarding the setup and functioning of the internal risk management and control systems, and the significant changes made to these. The conclusions can be found in the risk management section of this annual report.

Independence (III.2.3)
The Supervisory Board confirms that all of its members are independent within the meaning of best practice provision III.2.1 of the Code.

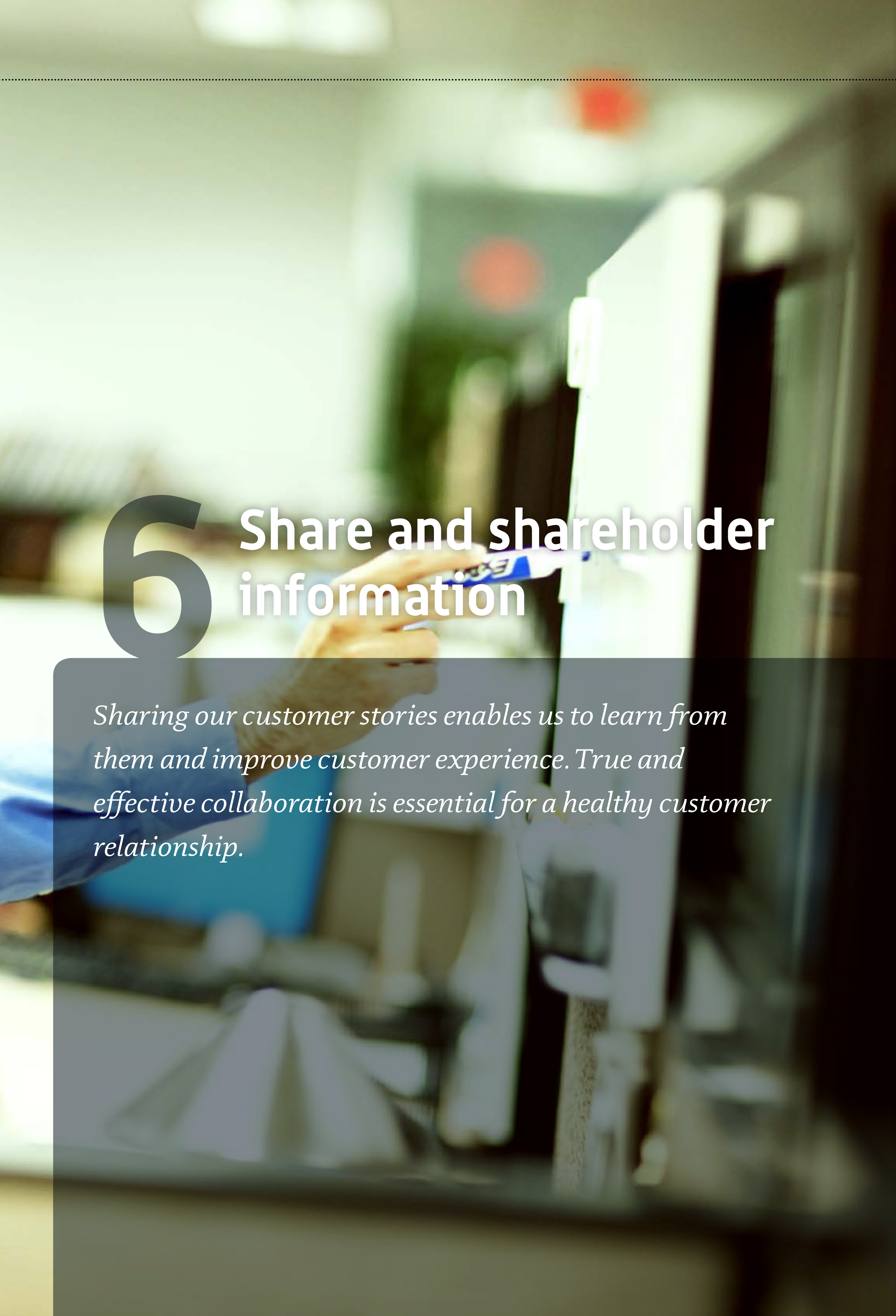
Supervisory Board rotation and retirement schedule (III.3.6)
The Supervisory Board rotation and retirement schedule is available on the corporate website (www.exact.com). The rotation schedule has been made by the Supervisory Board, in order to secure continuity in the board. Based on the rotation and retirement schedule, Members of the Supervisory Board will be put forward for reappointment in the respective retirement year.

Conclusion
The financial statements for the year 2010, as drawn up by the Board of Managing Directors, have been audited and certified by Ernst & Young Accountants. The auditors have discussed their findings on the financial statements with the Supervisory Board.

We have approved the 2010 financial statements and recommend that these be adopted by the Annual General Meeting of Shareholders accordingly. We have also approved the proposal from the Board of Managing Directors to pay out a final cash dividend of € 1.50 per share, which includes an addition amount of € 0 .57 to be paid on top of the € 0.93 that would be paid under the dividend policy. In combination with the interim dividend of € 0.52 per share paid in August 2010, this amounts to a total dividend for 2010 of € 2.02 per share. We recommend that the Annual General Meeting of Shareholders adopts this dividend proposal.

Finally, we would like to express our appreciation to the Board of Managing Directors, the Executive Committee and all Exact employees for their commitment, dedication and continued efforts during 2010.

Delft, March 31, 2011
Rolf Deves (Chairman)
Rob Hoevens



6 Share and shareholder information

Sharing our customer stories enables us to learn from them and improve customer experience. True and effective collaboration is essential for a healthy customer relationship.

Share and share capital

Our shares have been listed on the NYSE Euronext in Amsterdam since June 1999 (ISIN code NL0000350361). We are is included in the Amsterdam Small Cap Index (AScX), with a weighting factor of approximately 4.22% of the index. Based on the closing price of our shares on December 31, 2010 of € 20.55 per share, we have a market capitalization of € 501.5 million.

The authorized share capital of Exact amounts to € 1,500,000 divided into 75,000,000 ordinary shares, each having a nominal value of € 0.02. The total number of issued shares as at December 31, 2010, amounted to 24,400,405 (including 3,981,074 registered shares), which was the same as the number of shares as at December 31, 2009. There is only one type of ordinary share and there are no share certificates issued.

We do not currently have any employee share scheme in which the control rights are not exercised directly by the employee. The only employee share scheme is the long term incentive plan for the Board of Managing Directors (see chapter 5.2 Report of the Remuneration Committee).

Special provisions relating to shares

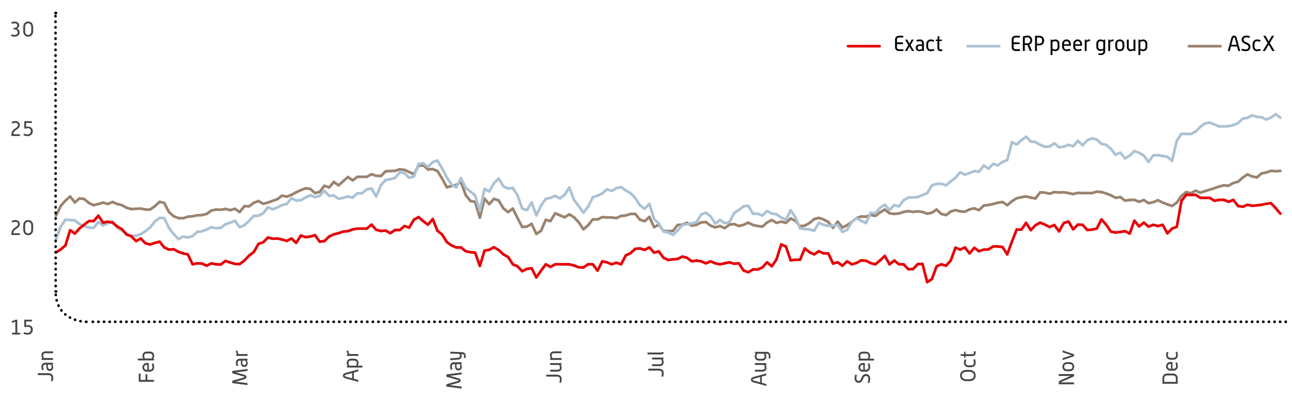
The Articles of Association do not contain any limitation on the transferability of the (registered) ordinary shares. No securities with special controlling rights have been issued. The voting right on the shares is not subject to any limitations. All shares (both ordinary and registered) entitle the holder to one vote per share.

No agreement has been entered into with any shareholder that could give rise to any limitation on the transfer of shares and/or voting rights.

In the General Meeting of Shareholders on April 23, 2009 the Board of Managing Directors was designated as the authorized body to purchase shares of Exact on the stock market for a minimum price equal to the nominal value of the shares (€ 0.02) and a maximum price equal to the stock exchange price increased by 10%, as set forth in article 9 paragraph 3 of the Articles of Association. In the same meeting the Board of Managing Directors was designated as the authorized body – with the prior approval of the Supervisory Board – to issue shares. This includes the authorization to grant rights to subscribe for shares for a period of 18 months and to a maximum of 10% of the total outstanding shares, at the time of the decision to issue. This authorization was not used during 2010.

In the General Meeting of Shareholders on April 22, 2010, the General Meeting voted down the proposal to designate the Board of Managing Directors as (1) the authorized body to purchase shares of Exact on the stock market in accordance with the provision set forth in article 9 paragraph 3 of the Articles of Association and (2) as the authorized body to issue – with the prior approval of the Supervisory Board – shares, which includes the authorization to grant rights to subscribe for share.

Exact share price performance in 2010 (in €)



The appointment, suspension and discharge of the members of the Board of Managing Directors and Supervisory Board are set out in articles 11 and 14 respectively of the Articles of Association. The procedure to amend the Articles of Association is set out in article 25. The Articles of Association are available on the corporate website (www.exact.com).

Share price (increase/decrease) (Period ending December 31, 2010)

	Exact	Peer group	AScX
1 year	10%	30%	11%
2 years	56%	110%	61%
3 years	(17%)	(8%)	(24%)

Treasury shares

Due to a share buyback program in 2008, under which we acquired 1,219,995 shares in its own capital, we currently hold 345,268 registered shares and 1,238,476 bearer shares; in total 1,583,744 shares, representing 6.51% of the total outstanding shares. The own shares we hold are non-voting, do not have a dividend entitlement, and are held in treasury for general company purposes.

Total shareholder return

During 2010 we paid € 30.3 million as a final dividend for 2009 and interim dividend for 2010. The total shareholder return for 2010 amounted to 17.3% (2009: 52.7%).

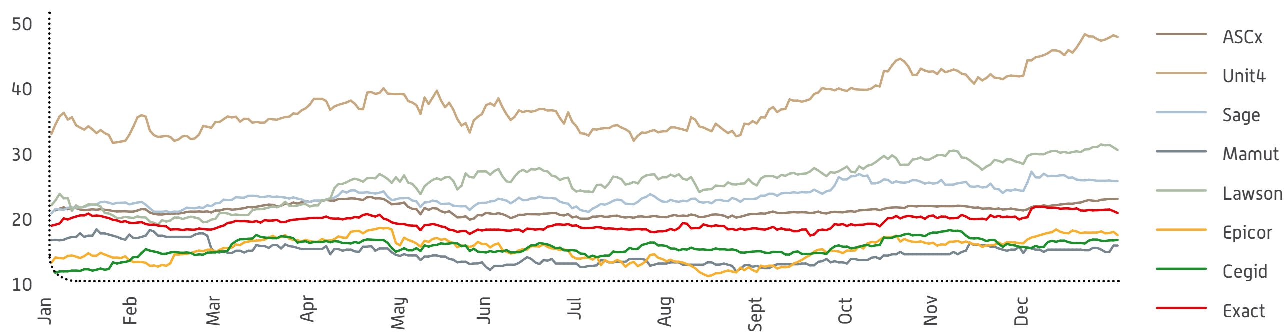
Dividend policy

In view of our continued positive cash flow and liquidity position, and taking into account the expected growth and acquisition strategy, our dividend policy is based on a 100% net payout in any year in which we do not make a material acquisition.

Dividend proposal for the year 2010

On August 13, 2010 we paid an interim dividend of € 0.52 per share. The final dividend based on our dividend policy would amount to € 0.93 per share. In view of having some excess cash which is not foreseen to be required in the normal course of our operations, the Board of Managing Directors will propose in the General Meeting of Shareholders on May 26, 2011 to increase the final dividend for 2010 to € 1.50 per share, representing an additional one time amount of € 0.57 per share on top of the dividend policy. The total dividend for 2010 would therewith amount to € 2.02 per share.

Exact share price performance vs. peers in 2010 (in €)



Major shareholders

Any person holding or acquiring an interest of 5% or more in a publicly listed Dutch company must, based on the Major Holding Disclose Act (Wmz 2006), disclose such holding to the AFM (Dutch Authority for Financial Markets). The disclosure is recorded in the registers of the AFM and listed on the AFM website (www.afm.nl).

Major Exact shareholders	
A.R. van Nieuwland	15.7%
E. Hagens	14.9%
Janivo Holding B.V.	8.9%
Sylchester International Investors	8.4%
Delta Deelnemingen Fonds N.V.	7.8%
Aviva Plc.	7.5%
Exact Holding N.V.	6.5%

Shareholding of the Board of Managing Directors and Supervisory Board

As of December 31, 2010, Max Timmer, CFO, holds 5,000 shares in Exact (0.01% of total listed shares). Martijn Janmaat does not hold shares in Exact. None of the members of the Supervisory Board hold shares in Exact.

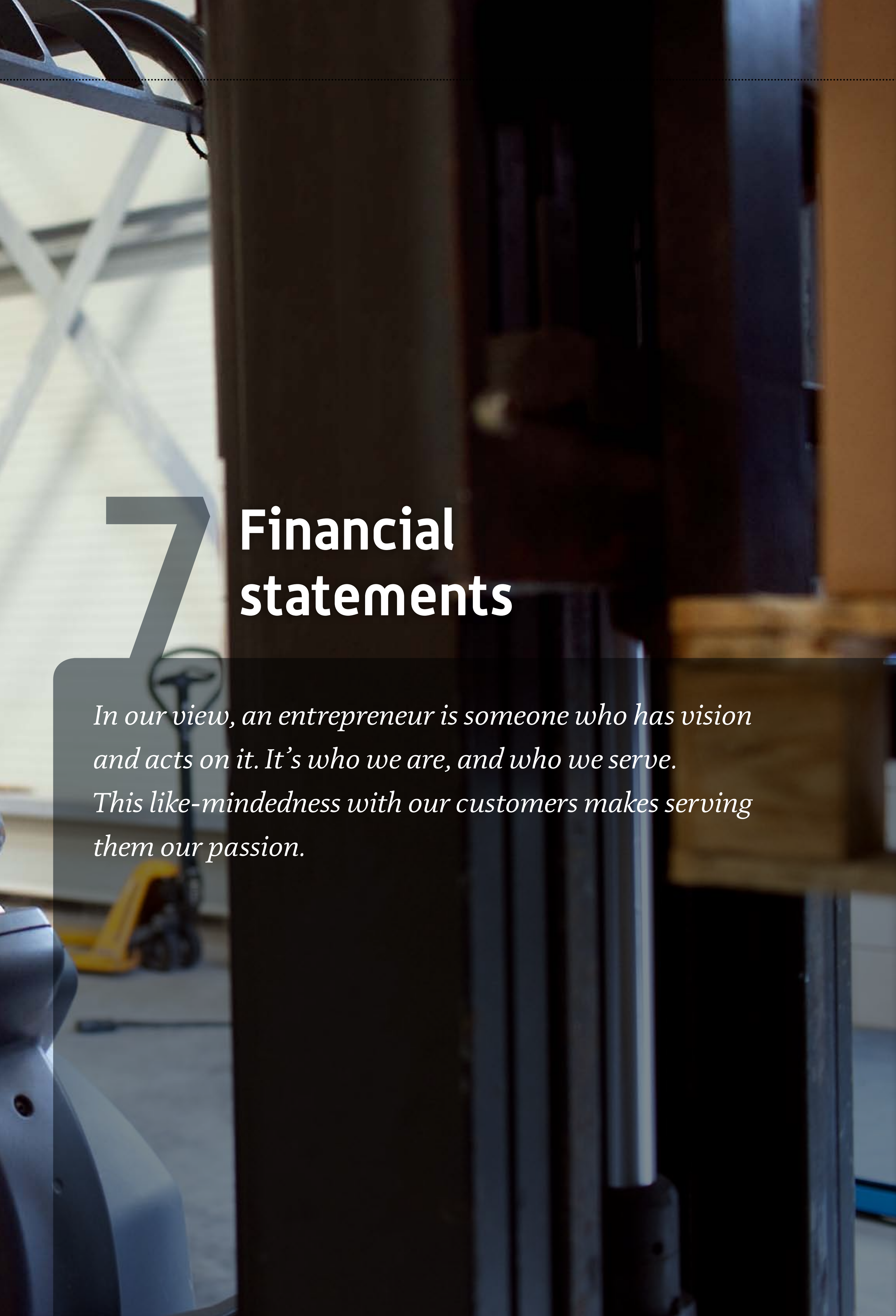
Financial calendar 2011

Interim management statement for Q1, 2011	May 4, 2011
General Meeting of Shareholders	May 26, 2011
Ex-dividend date	May 30, 2011
Record date	June 2, 2011
Payment date final dividend	June 3, 2011
Publication of half-year results for 2011 and interim financial results for H1, 2011	July 28, 2011
Interim management statement for Q3, 2011	November 2, 2011

Total shareholder return to period ending December 31, 2010

	1 year	2 years	3 years	4 years
Cegid	52%	211%	(13%)	(22%)
Epicor	33%	110%	(14%)	(25%)
Lawson	39%	95%	(10%)	25%
Mamut	(5%)	4%	(45%)	(34%)
Sage	28%	70%	29%	11%
Unit	47%	209%	26%	42%
Exact	**18%**	**78%**	**1%**	**11%**
Average	**30%**	**111%**	**(4%)**	**1%**

Formula for total shareholder return (TSR) for a period = (current share price - share price at start of period + total dividends per share during period) / share price at start of period. Total shareholder return is the return as percentage that a shareholder can make on the investment in a share over a certain period.



7 Financial statements

In our view, an entrepreneur is someone who has vision and acts on it. It's who we are, and who we serve. This like-mindedness with our customers makes serving them our passion.

7 Financial statements

Index of the financial statements

7.1 Consolidated statement of comprehensive income for the year ended December 31

(in € thousands)	Note	2010	2009
Licenses		54,971	54,600
Maintenance		133,974	134,539
Services		39,255	43,377
Total revenue	7.24	**228,200**	**232,516**
Revenue-related expenses		16,529	16,656
Employee benefit expenses	7.25	116,334	117,756
Other operating expenses	7.26	31,848	32,122
Marketing and sales		11,091	11,632
Total operating expenses before depreciation and amortization		**175,802**	**178,166**
EBITDA*		52,398	54,350
Depreciation and amortization expenses		10,644	8,621
Operating income (EBIT)		**41,754**	**45,729**
Interest income and other financial income		2,882	1,348
Interest expenses and other financial expenses		(1,357)	(1,660)
Total finance income/(expenses)	7.27	**1,525**	**(312)**
Income before taxes		43,279	45,417
Income tax expenses	7.28	(9,893)	(11,576)
Net income after taxes		**33,386**	**33,841**
Other comprehensive income			
Exchange differences on translation of foreign operations		5,935	(278)
Release of legal reserve		(88)	-
Net movement of cash flow hedges		22	617
Income tax relating to the components of other comprehensive income		(7)	(210)
Other comprehensive income, net of tax		**5,862**	**129**
Total comprehensive income		**39,248**	**33,970**
Net income after taxes attributable to:			
Equity holders of Exact		33,104	33,622
Non-controlling interest		282	219
Total comprehensive income attributable to:			
Equity holders of Exact		38,726	33,751
Non-controlling interests		522	219
Average number of shares outstanding basic (in thousands)		22,817	22,815
Average number of shares outstanding diluted (in thousands)		22,822	22,815
Earnings per share (in €)		1.45	1.47
Diluted earnings per share (in €)		1.45	1.47

* EBITDA: earnings before interest, tax, amortization and depreciation

The notes on pages 93 - 133 are an integral part of these consolidated financial statements.

7.2 Consolidated statement of financial position as at December 31

(in € thousands)	Note	2010	2009
ASSETS			
Non-current assets			
Intangible fixed assets	7.8	116,914	111,243
Property, plant and equipment	7.9	8,457	13,889
Deferred tax assets	7.10	4,160	5,088
Long-term receivables and prepaid expenses	7.11	3,914	2,250
Total non-current assets		**133,445**	**132,470**
Current assets			
Inventory		415	314
Trade receivables	7.13	33,822	42,005
Other receivables and prepaid expenses	7.14	7,024	6,220
Corporate income tax		1,771	-
Short-term investments	7.15	20,342	13,628
Cash and cash equivalents	7.16	37,756	35,287
		101,130	**97,454**
Non-current assets held for sale	7.12	4,456	327
Total current assets		**105,586**	**97,781**
Total assets		**239,031**	**230,251**

The notes on pages 93 – 133 are an integral part of these consolidated financial statements.

(in € thousands)	Note	2010	2009
EQUITY AND LIABILITIES			
Share capital	7.17	488	488
Capital surplus		64,758	64,758
Retained earnings		36,966	38,111
Net income		33,104	33,622
Cash flow hedge reserve		(1,614)	(1,629)
Other reserves	7.18	10,513	6,184
Cumulative translation adjustment		904	(4,791)
Shareholders' equity		**145,119**	**136,743**
Non-controlling interest		1,102	1,819
Total equity	7.3	**146,221**	**138,562**
Non-current liabilities			
Earnout provisions and related liabilities	7.20	581	1,146
Provisions for other liabilities and charges	7.20	1,090	883
Deferred tax liabilities	7.21	5,556	6,150
Derivative financial instruments	7.23	733	172
Total non-current liabilities		**7,960**	**8,351**
Current liabilities			
Deferred revenue	7.22.1	61,731	61,668
Earnout provisions and related liabilities	7.20	155	39
Provisions for other liabilities and charges	7.20	462	869
Accounts payable and other liabilities		5,133	3,823
Corporate income tax		-	1,338
Other taxes and social securities		6,720	6,313
Accrued liabilities		10,649	9,288
Total current liabilities		**84,850**	**83,338**
Total liabilities		**92,810**	**91,689**
Total equity and liabilities		**239,031**	**230,251**

The notes on pages 93 – 133 are an integral part of these consolidated financial statements.

7.3 Consolidated statement of changes in equity

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Retained earnings €	Cash flow hedge reserve €	Other reserves €	Cumulative translation adjustment €	Share-holders' equity €	Non-controlling interest €	Total equity €
Balance at January 1, 2009	**24,400**	**1,588**	**488**	**64,750**	**75,664**	**(2,036)**	**3,571**	**(4,513)**	**137,924**	**1,459**	**139,383**
Net income	-	-	-	-	33,622	-	-	-	**33,622**	219	**33,841**
Other comprehensive income	-	-	-	-	-	407	-	(278)	**129**	-	**129**
Total comprehensive income	**-**	**-**	**-**	**-**	**33,622**	**407**	**-**	**(278)**	**33,751**	**219**	**33,970**
Settlement of earnouts	-	-	-	(48)	-	-	-	-	**(48)**	-	**(48)**
Reserve for capitalized R&D	-	-	-	-	(2,647)	-	2,647	-	**-**	-	**-**
Dividend related to 2008	-	-	-	-	(19,847)	-	-	-	**(19,847)**	-	**(19,847)**
Interim dividend 2009	-	-	-	-	(15,059)	-	-	-	**(15,059)**	-	**(15,059)**
Movement non-controlling interest related to acquisitions	-	-	-	-	-	-	-	-	**-**	141	**141**
Long-term incentive plan	-	(4)	-	56	-	-	(34)	-	**22**	-	**22**
Balance at December 31, 2009	**24,400**	**1,584**	**488**	**64,758**	**71,733***	**(1,629)**	**6,184**	**(4,791)**	**136,743**	**1,819**	**138,562**

* Payout of the retained earnings will be restricted for the negative amounts of the cumulative translation adjustment of € 4,791 and the cash flow hedge reserve of € 1,629.

The notes on pages 93 – 133 are an integral part of these consolidated financial statements.

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Retained earnings €	Cash flow hedge reserve €	Other reserves €	Cumulative translation adjustment €	Share-holders' equity €	Non-controlling interest €	Total equity €
Balance at January 1, 2010	**24,400**	**1,584**	**488**	**64,758**	**71,733**	**(1,629)**	**6,184**	**(4,791)**	**136,743**	**1,819**	**138,562**
Net income	-	-	-	-	33,104	-	-	-	**33,104**	282	**33,386**
Other comprehensive income	-	-	-	-	-	15	(88)	5,695	**5,622**	240	**5,862**
Total comprehensive income	**-**	**-**	**-**	**-**	**33,104**	**15**	**(88)**	**5,695**	**38,726**	**522**	**39,248**
Reserve for capitalized R&D	-	-	-	-	(4,421)	-	4,421	-	**-**	-	**-**
Dividend related to 2009	-	-	-	-	(18,481)	-	-	-	**(18,481)**	-	**(18,481)**
Interim dividend 2010	-	-	-	-	(11,865)	-	-	-	**(11,865)**	-	**(11,865)**
Movement non-controlling interest related to investments in group companies	-	-	-	-	-	-	-	-	**-**	10	**10**
Movement non-controlling interest related to divestments	-	-	-	-	-	-	-	-	**-**	(1,249)	**(1,249)**
Long-term incentive plan	-	-	-	-	-	-	(4)	-	**(4)**	-	**(4)**
Balance at December 31, 2010	**24,400**	**1,584**	**488**	**64,758**	**70,070***	**(1,614)**	**10,513**	**904**	**145,119**	**1,102**	**146,221**

* Payout of the retained earnings will be restricted for the negative amount of the cash flow hedge reserve of € 1,614.

The notes on pages 93 - 133 are an integral part of these consolidated financial statements.

7.4 Consolidated statement of cash flows for the year ended December 31

(in € thousands)	Note	2010	2009
Net income after taxes		33,386	33,841
Amortization; depreciation of property, plant and equipment; impairment losses		10,644	8,621
Result of divestments	7.7	(2,087)	123
Other non-cash items		949	28
Increase/decrease in non-current liabilities, excluding earnouts and long-term loans		(1,097)	55
Increase/decrease in deferred income tax assets		566	(420)
Increase/decrease in deferred revenue		(228)	(1,268)
Increase/decrease in current assets and current liabilities, excluding income tax and deferred revenue		9,656	7,741
Increase/decrease in income tax payable		(3,294)	1,030
Cash flow provided by operations		**48,495**	**49,751**
Cash flow used in investment activities			
Acquisition of group companies, net of cash acquired	7.7	-	(2,121)
Proceeds from divestments in group companies, net of cash disposed	7.7	1,997	3,925
Capital expenditures on intangible assets	7.8	(6,329)	(4,258)
Capital expenditures on property, plant and equipment	7.9	(5,395)	(4,418)
Proceeds from disposal of property, plant and equipment		562	256
Earnout payments	7.20	-	(4,315)
Cash flow used in investment activities		**(9,165)**	**(10,931)**
Cash flow used in financing activities			
Dividend paid	7.29	(30,346)	(34,906)
Repayment of long-term borrowings		-	(35)
Cash flow used in financing activities		**(30,346)**	**(34,941)**
Net increase/(decrease) in cash and cash equivalents		**8,984**	**3,879**
Opening balance cash and cash equivalents		48,915	44,744
Exchange rate differences		199	292
Closing balance cash and cash equivalents		**58,098**	**48,915**

The actual income tax paid in 2010 amounted to € 13.2 million (2009: € 9.1 million); the actual interest received in 2010 amounted to € 1.6 million (2009: € 1.6 million); the actual interest paid in 2010 amounted to € 0.9 million (2009: € 1.1 million).

The other non-cash items include exchange rate results from intra-company transactions and interest related to the adjustment of the net present value of the earnouts.

Cash and cash equivalents include the following for the purpose of the cash flow statement:

	Note	December 31, 2010	December 31, 2009
Cash and cash equivalents	7.16	37,756	35,287
Short-term investments	7.15	20,342	13,628
Total		**58,098**	**48,915**

The notes on pages 93 – 133 are an integral part of these consolidated financial statements.

7.5 Notes to the consolidated IFRS financial statements

General information and summary of significant accounting policies

7.5.1 Corporate information

Exact Holding N.V. (hereafter referred to as Exact), is domiciled in Delft, the Netherlands. Exact, as head of a group of subsidiaries (hereafter also referred to as Exact), is engaged in holding, financing and managing its subsidiaries and other participations. The activities relate primarily to the development, distribution and marketing of business software, end-user support, training and consultancy.

Exact has been listed on the NYSE Euronext Stock Exchange in Amsterdam since 1999.

The 2010 financial statements were approved by the Board of Managing Directors and the Supervisory Board on March 31, 2011 and will be submitted for adoption to the Annual General Meeting of Shareholders on May 26, 2011.

7.5.2 Basis of preparation

The financial statements are presented in thousands of euros unless stated otherwise. The euro is the functional currency of Exact Holding N.V. and the predominant functional currency of its subsidiaries, and is the presentation currency of Exact. The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are recorded at fair value.

The preparation of the financial statements in accordance with IFRS requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Exact's accounting policies. The areas involving a higher level of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated statements, are disclosed in note 7.5.5.

Condensed income statement

In accordance with article 2:402 of the Dutch Civil Code, Exact chose to present a condensed company-only income statement for the financial years 2010 and 2009.

7.5.3 Statement of compliance

The consolidated financial statements included in pages 84 - 133 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

7.5.4 Basis of consolidation

Basis of consolidation from 1 January, 2010

The consolidated financial statements comprise the financial statements of Exact Holding N.V. and its subsidiaries as at December 31, 2010. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities over which Exact has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether Exact controls another entity. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which Exact obtains control, and continue to be consolidated until the date that such control ceases. All intra-company balances, transactions and income and expenses resulting from intra-company transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a negative balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Exact loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the cumulative translation differences, recorded in other comprehensive income;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in other finance income/expenses in profit or loss;
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January, 2010

Certain of the abovementioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognized in "goodwill".
- Losses incurred by Exact were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between the non-controlling interest and the parent shareholders.

7.5.5 Significant accounting judgments and estimates

There are key assumptions concerning the future and other key sources of estimating uncertainties at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These are discussed below.

Impairment of goodwill

Exact determines whether goodwill is impaired at least on an annual basis. This requires an estimate of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires Exact to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2010 was € 84.4 million (2009: € 80.2 million). More details are provided in note 7.8.

Development costs

Development costs have been capitalized in accordance with the accounting policy in note 7.5.8.2. In determining the amounts to be capitalized, management makes assumptions regarding the expected future benefits of the project and the expected period of the benefits. The carrying amount of the capitalized development costs at December 31, 2010 amounted to € 10.5 million (2009: € 6.1 million).

Taxes

Deferred tax assets have been recognized with respect to certain tax losses carried forward by several subsidiaries outside the Netherlands. Annually Exact makes a fair assessment of the valuation of the deferred tax assets. The carrying amount of deferred tax assets at December 31, 2010 was € 4,160 (2009: € 5,088). More details are provided in note 7.10.

7.5.6 Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in euros, which is the functional currency of Exact Holding N.V., the predominant functional currency of its subsidiaries and the presentation currency of Exact. Items included in the consolidated financial statements of each of Exact's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions. Foreign currency exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

Subsidiaries

The results and the financial position of all subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate as at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange rate differences are recognized as a separate component of other comprehensive income (cumulative translation adjustment).

Exchange rate differences arising from the translation of net investment in foreign entities and exchange rate differences arising from the translation of long-term intercompany loans or receivables for which settlement is not likely to occur in the foreseeable future, are taken to "other comprehensive income" on consolidation. When a foreign operation is sold, such exchange rate differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

7.5.7 Statement of cash flows

The statement of cash flows is prepared by using the indirect method. The cash flow statement distinguishes operational, investment and financing activities. Cash flows in foreign currencies are converted at the average rates during the reporting period. Currency exchange differences are presented separately.

Payments and receipts of corporate taxes as well as financial income (interest) and expenses are included in cash flows from operational activities.

Cash flows resulting from acquisitions/divestitures of financial interests in group companies and subsidiaries are included in cash flows from investment activities, net of cash acquired/disposed.

Dividends paid are part of the cash flow from financing activities.

7.5.8 Intangible fixed assets

7.5.8.1 Business combinations and goodwill

Business combinations from January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other operating expenses.

When Exact acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until its final settlement within equity. Adjustments to contingent considerations arising from business combinations prior to January 1, 2010 have been recognized as part of goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net asset of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Exact's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to January 1, 2010

The following differences apply in comparison to the abovementioned policy.

Business combinations have been accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition cost. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net asset.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When Exact acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, Exact had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

7.5.8.2 Research and development

Research and development costs consist of costs attributable to Exact's research and development activities as well as costs of maintenance activities for existing product lines. These include personnel expenses and other personnel-related costs associated with product development. Costs for research activities are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when Exact can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably measure the development costs.

Following initial recognition of development costs as intangible assets, the assets are recognized at cost and amortized by using the straight line method based on the estimated useful lives, which ranges from five to ten years. During the period of development, the asset is tested for impairment annually. Where no intangible asset can be recognized, the development costs are expensed as incurred.

7.5.8.3 Other intangible fixed assets

Acquired intangible fixed assets other than goodwill are recognized at cost and amortized by using the straight line method based on the estimated useful lives of such assets, as follows:

- Order backlog 100%
- Contract base 5 - 33.33%
- Purchased software 33.33%
- Intellectual property 10 - 80%
- Trademarks 10%

The other intangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

7.5.9 Property, plant and equipment

All property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Costs include expenditures that are directly attributable to the acquisition of the assets. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of assets is calculated by using the straight line method to allocate the cost of each asset at its residual value over its estimated useful life, as follows:

- Buildings and leasehold improvements 3.33 - 20%
- Transportation 5 - 25%
- Hardware 20 - 33.33%
- Other fixed assets 20 - 33.33%
- Assets under construction 0%

The estimated useful life of buildings is generally twenty to thirty years. The leasehold improvements generally have an estimated useful life of five to ten years. Assets under construction are not depreciated until they have been completed and put into use, upon which the assets are reclassified to the specific asset category.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

7.5.10 Deferred tax assets

Deferred tax assets reflect the net tax effects of losses carried forward and temporary timing differences between the carrying amounts of assets for financial reporting purposes and the amounts used for income tax purposes.

Deferred tax assets will only be recorded if they are considered to be realizable in the future, which is reassessed at each balance sheet date. In the following cases no deferred tax asset is recorded:

- when the deferred tax asset relating to the deductible temporary timing differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- in respect of deductible temporary timing differences associated with investments in subsidiaries, deferred tax assets are recognized as such only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets are measured at the tax rates that are expected to apply to the year in which the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

7.5.11 Long-term receivables

Long-term receivables are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition long-term receivables are stated at amortized cost with any difference between cost and carrying value being recognized in the income statement over the period on an effective interest basis.

7.5.12 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from significant discontinued operations are reported separate from income and expenses from continuing activities. The resulting profit or loss (after taxes) is reported under finance income/expenses in the statement of comprehensive income. Gains and losses resulting from divestments of non-significant discontinued operations are also reported under finance income/expenses.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized. Should an asset no longer qualify as asset held for sale, the asset is reclassified to non-current assets and will be measured at the lower of:

- its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortization that would have been recognized had the asset not been classified as held for sale;
- its recoverable amount at the date of disqualifying as asset held for sale.

7.5.13 Inventories

The inventory comprises material shipped for licenses sold and upgrades (CDs, manuals, packing material, etc.), hardware and software stock and work in progress. Material shipped and hardware and software stock are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Work in progress is recognized in line with the revenue recognition policies set out in note 7.5.23.

7.5.14 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provisions for impairment. A provision for impairment of trade receivables is established when there is appropriate evidence that Exact will not be able to collect all amounts due, according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

7.5.15 Other assets and liabilities

All other assets and liabilities are stated at the amounts at which they were acquired or incurred.

7.5.16 Short-term Investments, cash and cash equivalents

Short-term investments, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in "current liabilities" on the balance sheet.

7.5.17 Employee benefits

Pensions

Exact and most of its subsidiaries have a pension plan based on defined contributions. A defined contribution plan is a pension plan under which Exact pays fixed contributions to external pension providers. Each individual employee determines his/her own defined contribution, which is deducted from his/her gross salary. Exact has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Various acquired subsidiaries have a defined contribution plan with a limited employer contribution.

Profit sharing and bonus plans

Exact recognizes a liability and an expense for bonuses and profit sharing if contractually obliged or if there is a past practice that has created a constructive obligation.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Further details are provided in note 7.19.

7.5.18 Earnout provisions and related liabilities and provisions for other liabilities and charges

Provisions are recognized if Exact has a present legal or constructive obligation as a result of past events, if it is more likely than not that an outflow of resources will be required to settle the obligation and if the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability.

A provision for onerous contracts is recognized when the expected economic benefits to be derived by Exact from a contract are lower than the unavoidable costs of meeting its obligation under the contract.

Earnout provisions are measured at fair value at the acquisition date. Subsequent changes to the fair value will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Adjustments to contingent considerations arising from business combinations prior to January 1, 2010 have been recognized as part of goodwill.

7.5.19 Deferred tax liabilities

Deferred tax liabilities reflect the net tax effect of timing differences between the carrying amounts of the assets for financial reporting purposes and the amounts used for income tax purposes.

Deferred tax liabilities are recognized for all taxable temporary timing differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- in respect of taxable temporary timing differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax liabilities are measured at the tax rates that are expected to apply to the year in which the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

7.5.20 Long-term liabilities

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Exact has an unconditional right, on the balance sheet date, to defer settlement of the liability for at least twelve months.

7.5.21 Derivative financial instruments

Exact uses derivative financial instruments such as cash flow hedges to hedge foreign currency risks. For the purpose of hedge accounting, hedges are classified as cash flow hedges if hedging exposure to variability in cash flows is attributable to a particular risk associated with a recognized asset or liability, to a highly probable forecast transaction, or to the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, Exact designates and documents the hedge relationship to which it wishes to apply hedge accounting as well as the risk management objective and strategy for undertaking the hedge. Hedges that meet the strict criteria for hedge accounting are accounted for as follows.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement if the hedged transaction affects profit or loss, such as when the hedged financial income or financial expenses is recognized. If the hedged item is the cost of a non-financial asset or non-financial liability the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

7.5.22 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement covers a right to use the asset. Payments made under operating leases are recognized in the income statement on a straight line basis over the term of the lease. Lease incentives are recognized in the income statement as an integral part of the total lease expenses.

7.5.23 Revenue recognition

Exact derives its revenue from software license fees and forms; providing maintenance, implementation and training services related to the use of Exact's products; and providing services related to the configuration and customization of Exact's products. Exact recognizes revenue from recurring and non-recurring licensing of business software when:

- a non-cancellable license agreement has been signed;
- the software and related documentation have been delivered;
- the fee is fixed and determinable;
- collection of the resulting receivable is deemed probable.

Revenue from perpetual licenses is recognized when products are delivered. Revenue from time-based licenses (generally a one-year period) is deferred and recognized as revenue ratably over the contract period.

Maintenance revenue consists of customer support revenue generated from maintenance contracts that provide the customer with telephone support and revenue from product upgrades and updates. The maintenance revenue is deferred and recognized over the related contract period, generally twelve months.

Service revenue generated from professional consulting and training services and software customization services is recognized when the services are provided. Revenue associated with fixed price contracts is recognized in proportion to the stage of completion of the transaction at the balance sheet date when the outcome of the transaction can be estimated reliably. When the outcome of the transaction cannot be estimated reliably, revenue is recognized only to the extent of the recoverable expenses recognized.

Deferred revenue

Deferred revenue represents the unrecognized portion of time-based license, maintenance and service contracts in accordance with the aforementioned policy. Time-based license fees are deferred and recognized ratably over the related contract period. The maintenance agreements entitle the user to support and to upgrades and updates of the software. These maintenance contracts are deferred (100%) and recognized ratably over the related contract period, generally twelve months. Revenues from fixed price service contracts are recognized in accordance with the percentage of completion method. If the resulting revenue to be recognized is less than the amount invoiced to the customer, the difference is recognized as deferred revenue.

7.5.24 Operating expenses

Expenses are recorded in the period in which they are incurred. Depreciation of property, plant, equipment and intangibles (other than goodwill) is based on historical cost. Profits on transactions are accounted for in the year in which they are realized; losses are accounted for in the year in which they were foreseen.

Marketing and sales expenses include expenses related to advertising, tradeshows, promotions, market research and other programs and are expensed as incurred.

Revenue-related costs include costs of material shipped, fees reimbursed to third parties for support services carried out on behalf of Exact and commissions reimbursed to resellers for sales realized on behalf of Exact.

7.5.25 Government grants

Government grants are recognized at their fair value if there is reasonable assurance that the grant will be received and all applicable conditions are met. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

7.5.26 Dividend distribution

Dividend distribution to Exact's shareholders is recognized as a liability in Exact's consolidated financial statements in the period in which the dividends are approved by Exact's shareholders.

7.5.27 Earnings per share

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated based on the weighted average number of ordinary shares outstanding including the effect of stock options.

7.5.28 Own equity instruments

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of Exact's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other capital reserves.

7.5.29 Segment reporting

Segment information is presented with respect to Exact's operating segments. The business regions are identified as Exact's operating segments as they represent management and internal reporting structure. Intersegment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one period.

7.5.30 Adoption of new and revised International financial reporting standards

The accounting policies adopted by Exact for the full year 2010 are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations effective as of January 1, 2010.

IFRS 2R – Share-based payment

An amendment to IFRS 2R was issued that clarifies the scope and the accounting for group cash-settled share-based payment transactions. This amendment did not have an impact on the financial position or performance of Exact.

IFRS 3R – Business combinations and IAS 27R consolidated and separate financial statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. More details on the amended accounting policy for business combinations are provided in note 7.5.8.1.

The change in accounting policy was applied prospectively and will affect future business combinations or loss of control of subsidiaries and transactions with non-controlling interest. The changes did not result in a material impact on the earnings per share.

IAS 39 – Financial instruments: Recognition and measurement – Eligible hedged items

The amendment addresses the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of Exact, as Exact did not enter into such hedges.

IFRIC 16 – Hedges of a net investment in a foreign operation

The interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment, and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The interpretation had no effect on the financial position or performance of Exact.

IFRIC 17 – Distribution of non-cash items to owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of Exact, as it did not make any non-cash distributions.

IFRIC 18 – Transfers of assets from customers

This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation had no effect on the financial position or performance of Exact.

Improvements to IFRSs (Issued April 2009)

In April 2009, the IASB issued a second omnibus of amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group:

- IFRS 8 – Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

- IAS 18 – Revenue: The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - has primary responsibility for providing the goods or service;
  - has inventory risk;
  - has discretion in establishing prices;
  - bears the credit risk.

  The revenue recognition accounting policy has been updated accordingly. The change did not have any impact on the financial position or the performance of Exact.

- IAS 36 – Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. This amendment has no impact on Exact as the annual impairment test is performed before aggregation.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or the performance of Exact:

IFRS 2	Share-based Payment
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 17	Leases
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

New standards

The following standards have been issued but are effective for financial years starting after January 1, 2010:

IFRS 9	Financial Instruments, effective 1 January 2013
IAS 12	Income Taxes, effective 1 January 2012
IAS 24	Related Party Disclosures (Revised), effective 1 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues, effective 1 February 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement, effective 1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010

Exact expects that these standards will have no material impact on the accounting policies, financial position or performance of Exact.

Improvements to IFRSs (Issued May 2010)

In May 2010, the IASB issued a third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

IFRS 3 – Business combinations

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests
- Un-replaced and voluntarily replaced share-based payment awards

IFRS 7 – Financial instruments: Disclosures

- Clarifications of disclosures

IAS 1 – Presentation of financial statements

- Clarification of statement of changes in equity

IAS 27 – Consolidated and separate financial statements

- Transition requirements for amendments made as a result of amended IAS 27 to IAS 21, IAS 28 and IAS 31

IAS 34 – Interim financial reporting

- Significant events and transactions

IFRIC 13 – Customer loyalty programmes

- Fair value of award credit

Exact expects that these standards will have no material impact on the accounting policies, financial position or performance of Exact.

7.6 Financial risk management

Exact is exposed to market risks, primarily related to changes in exchange rates. Furthermore, Exact is exposed to credit risks. The liquidity risk and the interest rate risk exposures are limited. Exact neither holds nor issues financial instruments for trading purposes.

Exact's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on its financial performance.

Financial risk management is currently performed by the Board of Managing Directors. Financial risks are addressed at corporate level, evaluated and hedged as Exact deems necessary. Exact may use derivative financial instruments to hedge certain risk exposures. Hedge accounting is applied where possible. If hedge accounting may not be applied, the derivative is recorded at fair value with changes recorded in the profit and loss statement.

7.6.1 Market risk (currency risk)

Exact conducts business in euros and in foreign currencies. Since the presentation currency of Exact is the euro, Exact is subject to exchange rate risk due to the effects of fluctuating exchange rates on the revenue, result and balance sheet positions ultimately reported in euros. For 2010, 42.1% (2009: 40.1%) of revenue and 42.7% (2009: 42.7%) of operating expenses are denominated in currencies other than euros.

Exact is mainly exposed to foreign exchange risks in the following areas:

- Transactions in foreign currency (revenue and costs) - these contain not only the existing and expected purchase and sales transactions, but also debts and receivables arising from these transactions;
- Investments in foreign Exact companies - these also contain results and other financial intercompany relationships.

An important part of Exact's revenue is realized in US dollars. Although in 2010 Exact generated approximately 25.7% (2009: 23.7%) of its revenue in US dollars, the impact of the US dollar exchange rate fluctuations on EBITDA and net income was partly compensated by a natural hedge through expenses in US dollars and/or expenses in currencies fluctuating in line with the US dollar. For 2010 a change of € 0.01 in the euro-to-dollar exchange rate had an effect of approximately € 0.8 million on total revenue, € 0.9 million on the intangible fixed assets, € 0.2 million on the trade receivables and € 0.2 million on the deferred revenue balance position.

Currencies of importance

	December 31, 2010	Average 2010	December 31, 2009	Average 2009
EUR / USD	1.33	1.33	1.43	1.39
EUR / GBP	0.86	0.86	0.90	0.89
EUR / MYR	4.09	4.29	4.92	4.92
EUR / PLN	3.96	4.02	4.11	4.35

All Exact companies must identify and measure the risks of important transactions executed in a currency other than their functional currency. Decisions to hedge transaction exposures are taken at corporate level in consultation with local management.

Sensitivity analysis

Because most transactions at Exact companies take place in their functional currency and because the cross-currency swap is assessed to be highly effective, the sensitivity to changes in US dollar exchange rates in relation to the monetary assets and liabilities as required by IFRS 7, "Financial Instruments: Disclosures", with all other variables held constant, is minimal.

The following table shows the sensitivity of Exact's total revenue, income before tax, and Exact's debtors and deferred revenue balance position to changes in the US dollar exchange rate as result of investments in foreign Exact companies.

	Changes in € to US$ rate	Effect on total revenue	Effect on trade receivables	Effect on deferred revenue	Effect on income before tax
2010	+€ 0.01	(755)	(158)	237	(158)
	- € 0.01	755	158	(237)	158
2009	+€ 0.01	(766)	(180)	254	(104)
	- € 0.01	766	180	(254)	104

Denomination profile based on a percentage of Exact's financial assets and liabilities as at December 31

Year ended December 31, 2010	Note	€	US$	Other currencies	Carrying amount €
Long-term receivables	7.11	100%	0%	0%	3,419
Trade and other receivables	7.13/7.14	40%	33%	27%	36,009
Cash and cash equivalents	7.16	69%	8%	23%	58,098
Derivative financial instruments	7.23	100%	0%	0%	(733)
Accounts payable and other liabilities		73%	11%	16%	(5,133)

Year ended December 31, 2009	Note	€	US$	Other currencies	Carrying amount €
Long-term receivables	7.11	100%	0%	0%	2,250
Trade and other receivables	7.13/7.14	37%	29%	34%	43,444
Cash and cash equivalents	7.16	63%	14%	23%	48,915
Derivative financial instruments	7.23	100%	0%	0%	(172)
Accounts payable and other liabilities		48%	10%	42%	(3,823)

7.6.2 Credit risk

The credit risk comprises the loss that should be recognized at the balance sheet date if customers were to be in default regarding the fulfillment of their contractual obligations. In order to limit the credit risk, Exact periodically reviews the credit ratings of the customers and demands securities where necessary. Furthermore, Exact has procedures and policies to limit the size of the credit risk with each customer or market. Similar policies and procedures are in place for long-term receivables. These procedures and the geographical spread of the activities of the group companies limit the exposure of Exact to market risks and the risk connected with the concentration of credit. For the long-term receivables collateral is made available to Exact as security. More details are provided in note 7.11. Total credit risk is equal to the book value of trade receivables and long-term receivables as at December 31, 2010.

7.6.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the dynamic nature of the underlying businesses, Exact aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents. Due to the strong cash position and historically strong operational cash flows, Exact currently has minimal liquidity risk.

7.6.4 Interest rate risk

As a result of limited debt and active cash management activities, Exact is not subject to material interest rate risks.

7.6.5 Capital management

The primary objective of Exact's capital management is to maintain healthy capital ratios in order to support its business to execute its strategy and maximize shareholder value.

In view of the continually positive cash flow and liquidity position and taking into account the expected growth and acquisition strategy, the dividend policy is based on a 100% net payout in any year in which Exact does not execute a material acquisition.

7.7 Business combinations

Acquisitions 2010

There were no acquisitions in 2010.

Acquisitions 2009

Orisoft Technology ("Orisoft")

On January 22, 2009 Exact acquired 100% of the share capital of the HRM provider Orisoft Technology, based in Kuala Lumpur, Malaysia. The acquisition has been integrated into Exact's APAC region. The purchase price, paid in cash, amounted to € 2.9 million (including € 981 cash acquired). The acquisition has been accounted for using the purchase method of accounting. The purchase price allocation of the fair values at the date of acquisition has been finalized in 2009.

The consolidated financial statements include the result of Orisoft for the months from the acquisition date. From the date of acquisition, Orisoft has contributed € 2.0 million to the revenue and € 0.3 million to the net income of Exact in 2009.

Details of net assets acquired and goodwill

Purchase consideration	
Cash paid	2,879
Direct costs relating to acquisition	133
Total purchase price consideration	**3,012**
Fair value of net assets acquired	(1,762)
Goodwill	**1,250**

The goodwill is attributable to the synergies expected to be realized after Exact's acquisition of Orisoft.

Fair value of identifiable assets and liabilities of Orisoft at the date of acquisition

	Fair value	Acquiree's carrying amount
Cash	981	981
Property, plant and equipment	39	39
Intellectual property	406	0
Customer base	307	0
Trade and other receivables	445	321
Accounts payable and other liabilities	(287)	(242)
Deferred tax liability intellectual property	(52)	0
Deferred tax liability customer base	(77)	0
Net assets	**1,762**	**1,099**

Purchase consideration settled in cash	2,879
Cash and cash equivalents acquired	(981)
Cash outflow on acquisition	**1,898**

The amortization costs of the intangible assets recognized in profit and loss for the period from January 22, 2009 to December 31, 2009 amounted to € 112.

Divestments 2010

Informatica y Gestión ("Informatica")

On October 19, 2010, Exact sold its 70% participation in Informatica y Gestión ("Informatica"), based in Colombia, to its co-shareholder. With its ERP product Siigo, Informatica is the SME market leader in Colombia. Informatica will continue as reseller of Exact products in Colombia, Peru and Ecuador.
After Exact acquired 70% of the Informatica shares in 1998, it was managed as a separate business but did not lead to many cross synergies. Furthermore, Exact recently initiated a program to become more focused on targeted solutions to customers and prospects and concluded that the Siigo product was an insufficient match in this respect. Consequently Exact decided to sell the participation to its co-shareholder.
Exact sold its participation for a total consideration of € 4,800, of which € 1,950 was settled in cash and for which a loan for the amount of € 2,850 was granted by Exact. The loan is secured by a mortgage on two office buildings and a lien on the shares of Informatica.

Value of assets and liabilities sold at the date of divestment

	Carrying amount
Cash	668
Property, plant and equipment	1,368
Goodwill	174
Internally generated software	60
Customer base	23
Purchased software	18
Deferred tax assets	522
Trade and other receivables	5,074
Deferred revenue	(1,797)
Accounts payable and other liabilities	(1,775)
Net assets	**4,335**

The related non-controlling interest at the date of divestment amounted to € 1,249.

As result of this sale a gain of € 2,087 has been recognized in "other financial income". During 2010 Informatica contributed revenues amounting to € 7,989 and a net income of € 747 to Exact. Informatica is presented under the CGU (cash-generating unit) Americas.

Divestments 2009

AllLicense Holding B.V. ("AllSolutions")

AllSolutions, founded in 1987 and with offices in Woerden, the Netherlands, develops and sells WebSolutions QX, a web-based SaaS (software as a service) ERP service, targeted to support company processes of midium-sized and large project-driven organizations, professional association organizations, logistic oriented companies and education institutions. After having acquired a 70% interest in 2005, Exact acquired the remaining interest in AllSolutions in 2008. Over the past years it became apparent that insufficient strategic synergies had materialized between Exact and AllSolutions. This led Exact to decide, also in the interest of the customers and employees of AllSolutions, to sell the company. Exact sold its participation in AllLicense Holding B.V. on November 4, 2009 for a total consideration of € 5,630, of which € 4,130 was settled in cash and for which a subordinated loan for the amount of € 1,500 was granted by Exact.

Value of assets and liabilities sold at the date of divestment

	Carrying amount
Cash	1,259
Property, plant and equipment	809
Goodwill	3,989
Customer base	767
Trade and other receivables	427
Accounts payable and other current liabilities	(679)
Mortgage	(600)
Deferred tax liability customer base	(195)
Net assets	**5,777**

As result of this sale a loss of € 149 has been recognized under other financial expenses in 2009. During 2009 AllSolutions contributed revenues amounting to € 3.2 million and a net income of € 0.5 million to Exact. AllSolutions was presented under the CGU Netherlands.

Exact Easy Access B.V.

In line with the partner strategy for the Netherlands, Exact sold the consulting activities of Exact Easy Access B.V. to its partner Nobel on July 1, 2009. Nobel is specialized in warehouse management and logistics and with this transaction Exact guarantees optimal service for its customers in this market segment. The sales price of € 1,750 has been recorded against the goodwill originally paid for the activities. The transaction therefore did not result in any gain or loss.

7.8 Intangible fixed assets

The movements in intangible fixed assets are summarized below.

	Goodwill	Contract base	Purchased software	Internally generated software	Intellectual property	Trademark	Order backlog	Total
At January 1, 2009								
Purchase value	84,986	21,574	1,693	3,768	12,660	383	541	**125,605**
Cumulative amortization	-	(6,112)	(1,336)	(348)	(1,440)	(45)	(541)	**(9,822)**
Book value	**84,986**	**15,462**	**357**	**3,420**	**11,220**	**338**	**-**	**115,783**
Additions	-	-	9	3,112	365	-	-	**3,486**
Acquisitions	-	771	-	-	-	-	-	**771**
Acquisition from business combinations	1,250	307	-	-	406	-	-	**1,963**
Acquisitions non-controlling interests	90	-	-	-	-	-	-	**90**
Adjustment earnout provisions	622	-	-	-	-	-	-	**622**
Divestments	(5,789)	(767)	-	-	-	-	-	**(6,556)**
Amortization	-	(2,149)	(109)	(472)	(1,297)	(38)	-	**(4,065)**
Net currency translation adjustment	(1,006)	69	12	7	67	-	-	**(851)**
Changes in book value	**(4,833)**	**(1,769)**	**(88)**	**2,647**	**(459)**	**(38)**	**-**	**(4,540)**
At December 31, 2009								
Purchase value	80,153	21,369	1,793	6,892	13,509	383	552	**124,651**
Cumulative amortization	-	(7,676)	(1,524)	(825)	(2,748)	(83)	(552)	**(13,408)**
Book value	**80,153**	**13,693**	**269**	**6,067**	**10,761**	**300**	**-**	**111,243**
Additions	-	355	17	5,782	175	-	-	**6,329**
Adjustment earnout provisions	(594)	-	-	-	-	-	-	**(594)**
Divestments	(174)	(23)	(18)	(60)	-	-	-	**(275)**
Amortization	-	(2,116)	(89)	(940)	(1,730)	(38)	-	**(4,913)**
Impairments	-	(344)	-	(373)	-	-	-	**(717)**
Net currency translation adjustment	5,043	625	9	12	152	-	-	**5,840**
Changes in book value	**4,275**	**(1,503)**	**(81)**	**4,420**	**(1,403)**	**(38)**	**-**	**5,670**
At December 31, 2010								
Purchase value	84,428	22,579	1,775	12,084	13,873	383	-	**135,122**
Cumulative amortization	-	(10,389)	(1,587)	(1,596)	(4,515)	(121)	-	**(18,208)**
Book value	**84,428**	**12,190**	**188**	**10,488**	**9,358**	**262**	**-**	**116,914**

During 2010 Exact worked on the development of new versions and functionality of several of its product lines, mainly Exact Online and Khalix™. Development costs of these projects were recognized as an intangible asset in line with Exact's accounting policy. In 2010 development costs amounting to € 5,782 have been capitalized. Internally generated software related to Khalix™ with an investment value of € 1,563 and internally generated software related to Exact Online with an investment value of € 1,150 were established for use in 2010. As at December 31, 2010, internally generated software amounting to € 3,921 has not yet been established for use. Due to limited success, Exact decided to end one of its development projects and consequently recognized an impairment loss of € 373.

The carrying amount of the intellectual property includes, among others, an amount of € 7,357 related to the software suite Khalix™, which Exact acquired via the business combination of Longview Solutions. This intellectual property was valued at an amount of € 10,767 upon acquisition, with linear amortization over a period of 10 years.

The economic climate in Spain led to an impairment loss of € 344 for Exact's customer base in Spain.

The order backlog of Longview Solutions with a carrying amount of € 0 was derecognized during 2010, as this intangible asset no longer provided any economic benefits to Exact.

In 2010 Exact sold its participation in Informatica. Consequently goodwill decreased with an amount of € 174. More information on this divestment is provided in note 7.7.

The recoverable amount of the intangibles tested for impairment was determined on value-in-use calculations. A discount rate, estimated based on the weighted average cost of capital, of 8.6% was applied.

Impairment tests for goodwill

Goodwill is allocated to Exact's CGUs, which have been identified according to the operating segment structure. In accordance with IAS 36, goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. The annual goodwill impairment test was performed as at December 31, 2010.

See note 7.24.1 for detailed information about the regions of Exact.

Regional segment-level summary of the goodwill allocation

	2010	2009
Netherlands	8,598	8,598
Americas	45,363	42,150
EMEA	5,603	5,603
APAC	2,226	1,975
Longview	22,638	21,827
Total	**84,428**	**80,153**

Group entities that have undertaken acquisitions and recognize goodwill in their own financial statement, are considered the lowest level within Exact at which the goodwill is monitored for internal management purposes. We have established that CGUs are defined at a regional segment level. The level at which goodwill is monitored for internal management purposes is not larger than an operating segment in accordance with IFRS 8.

For 2010 and 2009 the recoverable amount of a CGU was determined based on value-in-use calculations. The calculation of value-in-use is most sensitive to the following assumptions:

- gross margin
- discount rates
- growth rate used to extrapolate cash flows beyond the forecast period

Gross margin: The gross margin assumed for a CGU's operations is primarily based on past performance. Gross margins are increased over the forecast period for anticipated efficiency improvements. The long-term operating margin applied to CGUs was:

- Netherlands 58.3 - 60.3%
- Americas 34.4 - 35.2%
- EMEA 18.1 - 21.8%
- APAC 1.6 - 14.2%
- Longview 0.1 - 27.3%

Discount rate: Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital. The discount rate applied to all CGUs was 8.6% (2009: 9.5%).

Growth rate estimates: Growth rates are based on published industry research and management's assessment of how the unit's position, relative to its competitors, will change in the forecast period. An increase of 1.5% (2009: 1.5%) per year was applied for all CGUs.

These calculations use cash flow projections based on financial budgets covering a five-year period and have been approved by management. These assumptions have been used for the analysis of each CGU within the operating segment. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Sensitivity to changes in assumptions

With regard to the assessment of the recoverable amount of Exact's cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

7.9 Property, plant and equipment

The movements in property, plant and equipment are summarized below.

	Buildings and leasehold improvements	Transportation	Hardware	Other fixed assets	Assets under construction	Total
At January 1, 2009						
Purchase value	4,252	13,976	17,430	6,803	-	**42,461**
Cumulative depreciation	(1,732)	(5,900)	(14,573)	(5,369)	-	**(27,574)**
Book value	**2,520**	**8,076**	**2,857**	**1,434**	**-**	**14,887**
Additions	154	308	1,184	433	2,339	**4,418**
Divestments	(751)	-	(56)	(2)	-	**(809)**
Acquisitions through business combinations	-	-	24	15	-	**39**
Disposals	(6)	(179)	(11)	(40)	-	**(236)**
Depreciation	(482)	(1,747)	(1,700)	(607)	-	**(4,536)**
Net currency translation adjustments	60	(3)	47	22	-	**126**
Changes in book value	**(1,025)**	**(1,621)**	**(512)**	**(179)**	**2,339**	**(998)**
At December 31, 2009						
Purchase value	3,501	13,452	16,770	6,393	2,339	**42,455**
Cumulative depreciation	(2,006)	(6,997)	(14,425)	(5,138)	-	**(28,566)**
Book value	**1,495**	**6,455**	**2,345**	**1,255**	**2,339**	**13,889**
Additions	1,301	1,466	1,686	346	596	**5,395**
Reclassification to/from assets held for sale	326	(5,733)	-	-	-	**(5,407)**
Assets established for use	1,719	-	-	1,225	(2,944)	**-**
Divestments	(706)	(69)	(358)	(235)	-	**(1,368)**
Disposals	-	(344)	(39)	(3)	-	**(386)**
Depreciation	(437)	(1,456)	(1,553)	(644)	-	**(4,090)**
Net currency translation adjustments	132	3	147	133	9	**424**
Changes in book value	**2,335**	**(6,133)**	**(117)**	**822**	**(2,339)**	**(5,432)**
At December 31, 2010						
Purchase value	5,346	2,502	13,355	6,263	-	**27,466**
Cumulative depreciation	(1,516)	(2,180)	(11,127)	(4,186)	-	**(19,009)**
Book value	**3,830**	**322**	**2,228**	**2,077**	**-**	**8,457**

The two apartments, recorded in the Netherlands region, that were reported as non-current assets held for sale, were in 2010 classified back to buildings and leasehold improvements. More information on this reclassification is provided in note 7.12.

The estimated current market value of the buildings owned by Exact and its subsidiaries, included under buildings and leasehold improvements, is approximately € 685 (2009: € 871), while the book value of these buildings as at December 31, 2010 was € 449 (2009: € 791). This estimate is based on an appraisal made by a real estate agent.

In 2010 Exact put its airplane up for sale and consequently reclassified this asset to assets held for sale. The asset was revalued to market value minus costs to sell amounting to €1,924 (US$ 2,550), resulting in an impairment loss of €1,100.

At the end of 2010 Exact explored the possibilities of a sale and leaseback construction of its car fleet in Delft. Consequently, cars with a carrying amount of € 2,532 were reclassified to assets held for sale. The assets were not revalued to market value minus costs to sell, as, based on negotiations with potential lease companies, the market value minus costs to sell was in line with the carrying amount of the car fleet. In January 2011, the contemplated transaction was completed. More information on this sale is provided in note 7.32.

The divestments relate to the divestment of Informatica. More information on this divestment is provided in note 7.7.

7.10 Deferred tax assets

Deferred income tax assets are shown below.

	2010	2009
Tax losses carry forward	1,609	2,201
Temporary timing differences	2,551	2,887
Total	**4,160**	**5,088**

The movements in deferred tax assets are summarized below:

	2010	2009
At January 1	**5,088**	**4,754**
Tax losses carry forward charged to the income statement	(600)	(570)
Temporary timing differences charged to the income statement	(474)	779
Net currency translation adjustment	146	125
At December 31	**4,160**	**5,088**
Deferred tax assets to be recovered after more than 12 months	3,217	3,935
Deferred tax assets to be recovered within 12 months	943	1,153
Total	**4,160**	**5,088**

As at December 31, 2010, Exact had estimated tax losses carried forward of € 9 million (2009: € 11 million) among several subsidiaries outside the Netherlands. Management made a fair assessment as to which part of these losses will likely be offset by taxable profits in the foreseeable future. For this assessment Exact has taken the forecasted operating income for the coming three years into account at the respective tax rates (varying between 17% and 39%). A time horizon of three years has been applied, as this is the forecasting horizon of Exact's subsidiaries.

Exact did not value losses carried forward amounting to € 2 million (2009: € 3 million), because of inadequate taxable income during the three-year forecast period. These foreign net operating losses will expire in the range of fifteen years to indefinitely.

7.11 Long-term receivables and prepayments

At balance sheet date, the long-term receivables amounted to € 3,419 (2009: € 2,250) and the long-term prepayments amounted to € 495 (2009: € 0). The long-term receivables amounting to € 3,419 consist of two vendor loans. One of the loans was granted as part of the sale of AllLicense Holding B.V. and is subordinated. This loan is secured by a lien on the shares of the company. The other loan was granted as part of the sale of Informatica. This loan is secured by a mortgage on two office buildings and a lien on the shares of the company. Market risk is expected to be in line with the interest percentages on the loans: 5% and 3% respectively. Consequently, the nominal value of the loans equals their fair value.

Exposure of the long-term receivables to the contractual repayment dates

Maturity	2010	2009
≤ 1 year	960	0
> 1 year and ≤ 2 years	1,260	0
> 2 year and ≤ 5 years	1,859	1,650
> 5 years	300	600
Total	**4,379***	**2,250**

*The amount of € 4,379 includes the current part of the long-term receivables amounting to € 960. More information on the current other receivables is provided in note 7.14.

In 2010 a vendor loan with a carrying value of € 750 was repaid. A discount of € 35 for early repayment was granted by Exact.

The long-term prepayment, amounting to € 495, relates to the lease of Exact's head quarters in the Netherlands.

7.12 Non-current assets held for sale

Exact held the following non-current assets for sale.

	2010	2009
Airplane	1,924	-
Apartments in the Netherlands	-	327
Car fleet in the Netherlands	2,532	-
Total	**4,456**	**327**

In 2010 Exact put its airplane up for sale and consequently reclassified this asset to assets held for sale. The asset was revalued to market value minus costs to sell amounting to € 1,924 (US$ 2,550), resulting in an impairment loss of € 1,100.

At the end of 2010 Exact explored the possibilities of a sale and leaseback construction of its car fleet in Delft. Consequently, cars with a carrying amount of € 2,532 were reclassified to assets held for sale. The assets were not revalued to market value minus costs to sell, as, based on negotiations with potential lease companies, the market value minus costs to sell was in line with the carrying amount of the car fleet. In January 2011, the contemplated transaction was completed. More information on this sale is provided in note 7.32.

During the financial year the two apartments, recorded in the Netherlands region, that were reported as non-current assets held for sale, were classified back to buildings and leasehold improvements as they no longer qualify for classification as asset held for sale. The qualification as assets held for sale was no longer met because the sale was no longer expected to be completed within 12 months due to the real estate market.

7.13 Trade receivables

The net trade receivables at balance sheet date can be specified below.

	2010	2009
Trade receivables	40,954	49,956
Provisions for trade receivables	(7,132)	(7,951)
Net trade receivables	**33,822**	**42,005**

Trade receivables are non-interest bearing and are generally on 30-day terms. Exact recognized an expense of € 3,592 (2009: € 4,554) for the impairment of its trade receivables during the year ending December 31, 2010. The expense has been included in "other operating expenses" in the income statement.

There is no concentration of credit risk with respect to trade receivables as Exact has a large number of internationally dispersed customers. Total credit risk is equal to the book value of trade receivables as at December 31, 2010.

Movements in the provisions for impairment of trade receivables

	Individually impaired	Collectively impaired	Total
At January 1, 2009	**102**	**5,668**	**5,770**
Charge for the year	1,362	3,192	4,554
Utilized	(649)	(2,849)	(3,498)
Unused amounts reversed	-	1,125	1,125
At December 31, 2009	**815**	**7,136**	**7,951**
Reassignment of provisions from collectively to individually impaired	5,885	(5,885)	-
Charge for the year	6,582	557	7,139
Utilized	(3,842)	(611)	(4,453)
Unused amounts reversed	(3,507)	(40)	(3,547)
Divestments	(168)	-	(168)
CTA	210	-	210
At December 31, 2010	**5,976**	**1,156**	**7,132**

The provisions for impairment of trade receivables exclude VAT where VAT on uncollectable receivables can be reimbursed.

Ageing analysis of trade receivables as at December 31

			Past due but not impaired			
	Total	Neither past due nor impaired	< 30 days	30 – 90 days	90 – 360 days	> 360 days
2010	33,822	12,657	10,212	4,518	5,761	674
2009	42,005	13,650	10,731	6,796	9,709	1,119

7.14 Other receivables and prepaid expenses

Other receivables and prepaid expenses at balance sheet date are specified below.

	2010	2009
Prepaid expenses	4,440	4,290
Other receivables	2,187	1,439
Accrued revenue	397	491
Total	**7,024**	**6,220**

Prepaid expenses include prepaid rent, prepaid insurance premiums and prepaid lease installments. Other receivables include receivables other than trade receivables. Accrued revenue is related to services performed by Exact which have not yet been invoiced to the customer. The other receivables mature within one year.

7.15 Short-term investments

The short-term investments at year end amounted to € 20,342 (2009: € 13,628) and are short-term deposits at banks and financial institutions in various countries. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of Exact. The average interest rate on short-term deposits as at December 31, 2010 was 1.9% (2009: 2.2%).

7.16 Cash and cash equivalents

Cash at banks earn interest at floating rates based on daily bank deposit rates. Exact's credit risk on cash and cash equivalents is limited because the counterparties are well established banks with high credit ratings.

7.17 Share capital

The authorized share capital of Exact amounts to € 1.5 million, consisting of 75 million ordinary shares, each with a nominal value of € 0.02 per share. Currently there are 24,400,405 (2009: 24,400,405) ordinary shares outstanding, which are fully paid. Exact holds 1,583,744 (2009: 1,583,744) ordinary shares in treasury, which remain available for general purposes of the company, including but not limited to M&A activities.

The ordinary shares held in treasury by Exact have been deducted from the capital surplus at their purchase price. No treasury shares were transferred to exercise options nor were treasury shares sold in 2010 (2009: 0).

7.18 Other reserves

The other reserves relate to the share-based payment for the Board of Managing Directors for the long-term incentive plan of € 25 (2009: € 29) and a legal reserve for the capitalized internally generated software of € 10,488 (2009: € 6,067). More information on the long-term incentive plan is provided in note 7.25.

The legal reserve related to the revaluation of the net assets of Informatica amounting to € 88 was released into the profit and loss statement upon divestment. More information of the divestment of Informatica is provided in note 7.7.

7.19 Share-based payments

Shares

The long-term remuneration agreement for 2010 directly reflects the performance targets formulated in the strategic plan for the years 2010-2012. These performance targets relate to revenue growth, profit margin and shareholder return. The long-term remuneration agreement for the Board of Managing Directors contains a yearly conditional award of shares. For 2010 40% of the award in shares is based on Exact's revenue in 2012, 20% of the award in shares is based on Exact's profit margin in 2012, and 40% of the award in shares is based on total shareholder return over the period 2010-2012. The Supervisory Board prefers to use shares as a long-term remuneration instrument as these are directly linked to shareholders' interests. The conditional shares have a maximum value at the date of award of € 144,375 for the CFO. Three years after the conditional award, the shares shall be considered as unconditional award depending on the realized performance. Given the fact that the targets are considered as competition-sensitive information, no further details about these will be provided in this annual report.
The Supervisory Board will ensure that the targets are ambitious but also realistic.

As at December 31, 2010 the long-term remuneration is accounted for the amount of € 25 (2009: € 29) and recorded under "other reserves".

The long-term remuneration plan will be settled in shares (equity-settled). The fair value is based on the share price as at the granting date.

Options

Exact has no options outstanding as at December 31, 2010 (2009: 0).

7.20 Provisions

The provisions are shown below.

	Earnouts and related liabilities	Asset retirement obligations	Other provisions	Total
At January 1, 2010	**1,185**	**375**	**1,377**	**2,937**
Additional provisions	-	149	1,254	**1,403**
Payments in cash	-	(186)	(687)	**(873)**
Release	(594)	(117)	(668)	**(1,379)**
Interest	48	9	-	**57**
Net currency translation adjustment	97	15	31	**143**
At December 31, 2010	**736**	**245**	**1,307**	**2,288**
Non-current provisions	581	245	845	**1,671**
Current provisions	155	-	462	**617**
Total	**736**	**245**	**1,307**	**2,288**

Provisions for 2010 and 2009

	December 31, 2010	December 31, 2009
Non-current provisions	1,671	2,029
Current provisions	617	908
Total	**2,288**	**2,937**

7.20.1 Provisions for earnouts and related liabilities

The provisions for earnouts and related liabilities relate to future liabilities from acquisitions by Exact.

Provisions for earnouts and related liabilities at the balance sheet date

	2010	2009
Runservicenet Ltd.	736	1,185
Total	**736**	**1,185**

Runservicenet Ltd.

Runservicenet Ltd. was acquired by Longview Solutions Inc. in 2006. Under the terms of the share purchase agreement between Longview Solutions Inc. and the former Runservicenet Ltd. shareholders, the former shareholders are entitled to earn an additional contingent consideration of US$ 5,500 predicated on the attainment of certain software sales objectives and on the achievement of certain development and integration milestones over a period of four years commencing October 2009.

7.20.2 Asset retirement obligation

Exact leases buildings for which, in some cases, the obligation exists to restore the building to its original state. Of this provision an amount of € 0 (2009: € 320) is of a short-term nature and an amount of € 245 (2009: € 55) of a long-term nature.

7.20.3 Other provisions

Other provisions include mainly legal and warranty provisions. These provisions as at December 31, 2010 and 2009 have been made for specific cases known at the respective balance sheet dates. Of these provisions an amount of € 462 (2009: € 549) is considered to be of short-term nature and an amount of € 845 (2009: € 828) of long-term nature.

7.21 Deferred tax liabilities

The deferred income tax liabilities at the balance sheet date relate to the items below.

	2010	2009
Fair value adjustments on acquisitions	4,503	4,620
Temporary timing differences	109	4
Difference in amortization period of capitalized R&D	944	1,526
Total	**5,556**	**6,150**

Movement of deferred income tax liabilities

	2010	2009
At January 1	**6,150**	**5,870**
Acquisition of intangible assets	-	727
Charged to the income statement	(848)	(463)
Net currency translation adjustment	254	16
At December 31	**5,556**	**6,150**
Deferred tax liability to be recovered after more than 12 months	4,301	4,761
Deferred tax liability to be recovered within 12 months	1,255	1,389
Total	**5,556**	**6,150**

7.22 Current liabilities

Liabilities with a remaining period of up to one year are presented under "current liabilities".

7.22.1 Deferred revenue

Deferred revenue represents the unrecognized portion of time-based license fees, maintenance and service contracts (see also note 7.5.23). The nature of deferred revenue is considered to be long term, as the maintenance agreements, which typically have a contract period of 12 months, are automatically renewed at the end of the contract period.

Income resulting from maintenance agreements pre-invoiced at the end of 2010 and that renew in the new financial year will be recognized in 2011. Insofar as the customer paid in advance for agreements that are due for renewal in 2011, the value of the agreement was treated in its entirety as a liability under "deferred revenue".

Deferred revenue position at the balance sheet date

	2010	2009
Maintenance and time-based license fees	59,178	59,157
Services	1,696	1,782
Pre-invoiced license fees	857	729
Total	**61,731**	**61,668**

7.23 Financial instruments and hedging

Fair values

Set out below is a comparison by category and fair values of all of Exact's financial instruments that are carried in the financial statements.

	Carrying amount 2010	Carrying amount 2009	Fair value 2010	Fair value 2009
Financial assets				
Long-term receivables	3,419	2,250	3,419	2,250
Trade and other receivables	36,009	43,444	36,099	43,444
Cash and cash equivalents	58,098	48,915	58,098	48,915
Total	**97,526**	**94,609**	**97,526**	**94,609**
Financial liabilities				
Derivative financial instruments	733	172	733	172
Accounts payable and other liabilities	5,133	3,823	5,133	3,823
Total	**5,866**	**3,995**	**5,866**	**3,995**

The following methods and assumptions were used to estimate fair values:

- Cash and cash equivalents, trade and other receivables, accounts payable and other liabilities approximate their carrying amount largely due to the short-term nature of these instruments.
- Long-term receivables are evaluated based on parameters such as interest rates and individual creditworthiness of the vendor. As at December 31, 2010 the carrying amount of the long-term receivables were not different from their fair value.
- The fair value of derivative financial instrument is based on valuation reports from financial institutes using valuation techniques with market observable inputs.

Fair value hierarchy

As at December 31 Exact held the following financial instruments carried at fair value.

	2010	2009
Liabilities measured at fair value		
Cross-currency swap (Level 2)	733	172

Exact uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value

During the reporting period ending December 31, 2010 and 2009, there were no transfers between the levels of fair value measurements.

Cash flow hedge

As at December 31, 2010 Exact holds a cross-currency swap contract with a fair value of € 733 (2009: € 172). This contract is being used to hedge the foreign currency risk for an inter-company debt with a term ending in 2012.

The cash flow hedge liability was assessed to be highly effective and a net unrealized gain of € 17 (2009: € 32) with a deferred tax liability of € 9 (2009: € 17) relating to the hedging instruments has been included in "other comprehensive income". The cash flows related to this contract are expected annually at the beginning of November, at which time the related part of the unrealized gain or losses is recognized in the profit and loss account.

Cash flow hedge for acquisition of foreign operations

On September 17, 2007 Exact announced the acquisition of Longview Solutions Inc. in Canada. The transaction was expected to be closed on or before November 15, 2007. Exact hedged the currency risk of the purchase price for the period between signing the share purchase agreement and the actual payment date of the acquisition. The negative fair value change of this hedge instrument (closed in November 2007) amounted to € 1,597 and is recognized directly in other comprehensive income until the acquired entity is disposed.

7.24 Segment reporting

7.24.1 Operating segment information

For management purposes Exact has organized its business into five reportable operating segments. Longview, which was acquired in the last quarter of 2007, has not been integrated into the five reportable operating segments. Instead it is managed on a stand-alone basis, with the exception of some back office activities that have been integrated with the Americas.

Whereas in prior years Exact reported the corporate and development entities as part of the operating segment the Netherlands, for FY 2010 Exact has designated the corporate and development entities as one reportable operating segment "Corporate", separate from the Netherlands. The operating segment "Corporate" is engaged in holding, financing and managing its subsidiaries, developing corporate product lines and supporting its subsidiaries by providing back office services including IT, HR, legal, and marketing. Management is of the opinion that separating these entities from the Netherlands operating segment gives a better insight into Exact's performance. Consequently, Exact has restated the corresponding information for earlier periods.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are at an arm's length basis in a manner similar to transactions with third parties. Intersegment revenues are not material and therefore not separately disclosed.

Segment information for the year ended December 31, 2010

	Netherlands	Americas	EMEA	APAC	Longview	Corporate	Total
Revenue	91,509	53,696	54,046	10,137	18,812	-	**228,200**
EBITDA	49,600	15,189	10,944	427	3,970	(27,732)	**52,398**
Operating income	48,680	13,931	9,806	162	3,468	(34,293)	**41,754**
Depreciation	710	679	623	174	162	1,566	**3,914**
Amortization	209	580	180	90	339	3,515	**4,913**
Impairment of property, plant and equipment and intangibles	-	-	344	-	-	1,473	**1,817**
Impairment of trade receivables	517	462	1,662	901	50	-	**3,592**
Assets	22,692	62,511	30,085	14,258	34,815	68,739	**233,100**
Liabilities	37,295	16,822	18,740	3,083	5,234	3,059	**84,233**
Investments	481	493	443	110	73	10,134	**11,734**

Segment information for the year ended December 31, 2009

	Netherlands	Americas	EMEA	APAC	Longview	Corporate	Total
Revenue	96,246	52,107	56,959	10,432	16,772	-	**232,516**
EBITDA	48,903	10,809	14,430	1,281	2,910	(23,983)	**54,350**
Operating income	47,744	9,495	13,491	1,049	2,518	(28,568)	**45,729**
Depreciation	970	745	757	159	138	1,787	**4,556**
Amortization	185	569	182	73	254	2,802	**4,065**
Impairment of property, plant and equipment and intangibles	-	-	-	-	-	-	**-**
Impairment of trade receivables	1,677	686	1,234	885	72	-	**4,554**
Assets	26,301	67,540	33,759	13,525	32,916	51,122	**225,163**
Liabilities	35,160	17,262	21,092	2,435	4,565	578	**81,092**
Investments	830	494	303	79	106	8,955	**10,767**

The 2009 comparatives have been restated for changes in reportable operating segments and to establish the reported amounts on a consistent basis.

Segment assets consist primarily of property, plant, equipment, intangible assets, inventories, receivables and cash and cash equivalents. They exclude (deferred) taxation.

Reconciliation of assets with balance sheet

	2010	2009
Total assets on balance sheet as at December 31	**239,031**	**230,251**
Less:		
Corporate income tax	(5,931)	(5,088)
Total assets in segmentation	**233,100**	**225,163**

Segment liabilities comprise operating liabilities. They exclude items such as (deferred) taxation, provisions and derivative financial instruments.

Reconciliation of liabilities with balance sheet

	2010	2009
Total current liabilities on balance sheet as at December 31	**84,850**	**83,338**
Less:		
Provisions	(617)	(908)
Corporate income tax	-	(1,338)
Total liabilities in segmentation	**84,233**	**81,092**

Investments comprise additions to intangible assets, property, plant and equipment.

In 2010 Exact sold its participation in Informatica reported under the region Americas. More information on this divestment is provided in note 7.7.

7.24.2 Geographical information

Exact's four regions and Longview operate in nine geographical areas, even though they are managed on a worldwide basis. The home country of Exact – also the location of its main operating company – is the Netherlands. The business activities principally comprise development and sale of integrated IT solutions such as ERP software, as well as different front and back office applications.

Revenue

	Netherlands	Americas	EMEA	APAC	Longview	2010	2009
The Netherlands	91,509	-	4,366	-	-	**95,875**	100,562
North America	-	44,509	-	-	17,219	**61,728**	57,821
Germany	-	-	13,179	-	71	**13,250**	14,050
Spain	-	-	7,401	-	-	**7,401**	8,439
Other Western European countries	-	-	18,240	-	1,331	**19,571**	20,360
Eastern Europe	-	-	6,989	-	-	**6,989**	7,735
Latin America	-	9,187	1,664	-	106	**10,957**	10,334
Asia/Pacific, including Middle East	-	-	1,619	10,137	85	**11,841**	12,507
Africa	-	-	588	-	-	**588**	708
Total revenue	**91,509**	**53,696**	**54,046**	**10,137**	**18,812**	**228,200**	**232,516**

Revenue is allocated based on the country in which the customer is located.

Assets

	2010	2009
The Netherlands	87,766	65,641
North America	89,808	87,365
Germany	2,346	3,661
Spain	6,112	7,681
Other Western European countries	23,710	31,256
Eastern Europe	2,818	3,284
Latin America	2,434	8,991
Asia/Pacific, including Middle East	17,518	16,620
Africa	588	664
Total	**233,100**	**225,163**

The 2009 comparatives have been restated to establish the reported amounts on a consistent basis.

Total assets are allocated based on where the assets are located. Segment assets consist primarily of property, plant, equipment, intangible assets, inventories, receivables, and cash and cash equivalents. They exclude (deferred) taxation.

Liabilities

	2010	2009
The Netherlands	42,370	37,392
North America	21,464	20,045
Germany	3,884	7,232
Spain	2,306	2,452
Other Western European countries	6,255	5,694
Eastern Europe	2,585	2,521
Latin America	1,024	2,115
Asia/Pacific, including Middle East	4,145	3,361
Africa	200	280
Total	**84,233**	**81,092**

The 2009 comparatives have been restated to establish the reported amounts on a consistent basis.

Total liabilities are allocated based on where Exact's companies are located. Segment liabilities comprise operating liabilities. They exclude items such as (deferred) taxation, provisions and derivative financial instruments.

Investments

	2010	2009
The Netherlands	10,445	7,360
North America	373	392
Germany	75	11
Spain	18	13
Other Western European countries	211	256
Eastern Europe	94	109
Latin America	229	206
Asia/Pacific, including Middle East	282	2,420
Africa	6	-
Total	**11,734**	**10,767**

Total investments are allocated based on the location where the investments were made.

7.25 Employee benefits

Personnel expenses are summerized below.

	2010	2009
Salaries and wages	90,119	91,813
Social security	8,246	8,612
Pension expenses – defined contribution plans	822	623
Healthcare contribution	4,456	4,376
Contractors and outwork	7,966	6,565
Other personnel expenses	4,725	5,767
Total	**116,334**	**117,756**

The employee benefits in 2010 were reduced by an amount of € 675 (2009: € 415) as a result of government grants received. In 2010 Exact's average number of employees was 2,124 (2009: 2,362). As at December 31, 2010 Exact employed 1,867 (2009: 2,208) FTE (full-time equivalent) employees.

Employees per functional category as at December 31

	2010	2009
Support	20%	23%
Services	18%	19%
Research and development	24%	23%
Sales and marketing	20%	19%
Operations support	16%	14%
General management	2%	2%
Total	**100%**	**100%**

During the years 2010 and 2009 the estimated personnel expenses for research and development were € 23,563 and € 21,659 respectively. Those amounts represent 20.3% and 18.4% respectively of the total personnel expenses in each of those years. Of these personnel expenses for research and development an amount of € 5,123 (2009: € 2,410) was recognized as an intangible asset.

Remuneration of members of the Board of Managing Directors

The remuneration of the members of the Board of Managing Directors for the years ending 2010 and 2009 is shown below.

(in €)	2010	2009
Salaries and other short-term employee benefits	1,228,201	655,506
Long-term incentive	(4,382)	23,662
Severance pay	200,000	-
Total	**1,423,819**	**679,168**

(2010, in €)	Salary	Short-term incentive	Long-term incentive	Severance pay	Total
Raj Patel	435,784	75,000	(29,408)	200,000	681,376
Martijn Janmaat	211,167	107,500	-	-	318,667
Max Timmer	275,000	123,750	25,026	-	423,776
Total	**921,951**	**306,250**	**(4,382)**	**200,000**	**1,423,819**

(2009, in €)	Salary	Short-term incentive	Long-term incentive	Total
Raj Patel	404,200	175,000	26,534	605,734
Jim Kent	72,489	3,817	(2,872)	73,434
Total	**476,689**	**178,817**	**23,662**	**679,168**

In US dollars the salary of Jim Kent amounted to US$ 95,000.

Raj Patel decided to step down as CEO effective July 31, 2010 for personal reasons. A severance payment of € 200 was agreed upon. The employment contract has been settled in accordance with the agreed upon contractual provisions, taking in to account a payment in lieu of the notice period of 6 months, amounting to € 200, as well as the settlement of the outstanding vacation days. For the realization of the targets set in the short-term incentive plan an amount of € 75 was settled for the period of January 1, 2010 to July 31, 2010. There are no entitlements on payments under the long-term incentive plan; consequently the accrual for the long-term incentive plan amounting to € 29 at December 31, 2009, was reversed in 2010.

On July 1, 2010 the Supervisory Board announced the appointment of Martijn Janmaat as CEO nominee, to succeed Raj Patel. After a handover period Martijn Janmaat formally started as CEO on August 1, 2010 and was appointed as member of the Board of Managing Directors in an extraordinary general meeting of shareholders on August 23, 2010.

Short-term incentive

The annual variable remuneration (i.e. the short-term incentive) is linked to predefined and measurable performance criteria that reflect Exact's short-term strategy. Of the annual variable remuneration, 80% is dependent upon financial criteria and 20% on non-financial criteria. The financial criteria relate for 70% to revenue and for 30% to the EBITDA margin of Exact.

Based on the actual results, the payout ratio for the financial criteria was 95%, while the payout ratio for the non-financial criteria was based on achievement of personal goals. This resulted in an overall payout ratio of 100% for Max Timmer.

Long-term incentive

The long-term remuneration agreement for 2010 directly reflects the performance targets formulated in the strategic plan for the years 2010-2012. These performance targets relate to revenue growth, profit margin and shareholder return. The long-term remuneration agreement for the Board of Managing Directors included a yearly conditional award of shares. For 2010, 40% of the award in shares is based on Exact's revenue in 2012; 20% of the award in shares is based on Exact's profit margin in 2012; and 40% of the award in shares is based on total shareholder return over the period 2010-2012. The Supervisory Board prefers to use shares as a long-term remuneration instrument as these are directly linked to shareholders' interests. The conditional shares have a maximum value at the date of award of € 144,375 for the CFO. Three years after the conditional award, the shares shall be considered as unconditional award depending on the realized performance. Given the fact that the targets are considered as competition-sensitive information, no further details about these will be provided in this annual report. The Supervisory Board will ensure that the targets are ambitious but also realistic. As at December 31, 2010, the long-term remuneration is accounted for the amount of € 25 (2009: € 29) and recorded under the other reserves.

Payments to members of the Supervisory Board in 2010 totaled € 100 (2009: € 154). The remuneration of the members of the Supervisory Board is not dependent upon Exact's results.

Remuneration of the members of the Supervisory Board

(in €)	2010	2009
Erik van de Merwe (Chairman)	-	15,000
Hans de Boer	-	40,000
Rob Bonnier	-	15,000
Rolf Deves (Chairman)	45,000	33,750
Rob Hoevens	40,000	27,435
Martijn Janmaat	15,000	22,500
Total	**100,000**	**153,685**

The remuneration of the former and the new Supervisory Board in 2009 and of Martijn Janmaat in 2010 was determined on a pro-rata basis.

At the end of 2010 the Board of Managing Directors held no option rights on shares (2009: 0).

Shares held by the Board of Managing Directors at year end

	2010	2009
Max Timmer	5,000	-
Matijn Janmaat	-	-
Raj Patel	n/a	35,548
Total	**5,000**	**35,548**

7.26 Other operating expenses

Other operating expenses are summarized below.

	2010	2009
Travel and accommodation	7,696	7,992
Voice and infrastructure	4,768	4,702
Housing and office	10,092	10,763
Provisions for impairment of trade receivables	3,592	4,554
Professional services and other general expenses	5,700	4,111
Total	**31,848**	**32,122**

7.27 Financial income and expenses

Financial income and expenses include the following:

	2010	2009
Interest income	1,217	1,348
Interest expenses	(812)	(1,104)
Exchange rate differences	(544)	(337)
Other financial income and expenses	1,664	(219)
Total	**1,525**	**(312)**

Other financial income and expenses includes the result of the sale of Informatica, amounting to € 2,087. More information on this divestment is provided in note 7.7. The remaining amount mainly relates to the write-off of other receivables.

7.28 Income tax

The activities of Exact are subject to corporate income taxes in all countries where Exact has an active subsidiary. The applicable statutory tax rates vary between 0% and 40%. Recognition of deferred income tax assets, tax losses carried forward and non-deductible expenses cause the effective tax rate to differ from the weighted average tax rate.

The effective tax rate, based on income before taxes, was 22.9% (2009: 25.5%). The lower effective tax rate was mainly the result of the application of the innovation box program in the Netherlands.

Reconciliation between the tax charge on the basis of the weighted average tax rate and the effective tax rate

(in %)	2010	2009
Weighted average tax rate	30.7	28.7
Non-deductible expenses	1.0	1.0
Deferred tax assets and tax losses carry forward	(4.4)	(0.5)
Adjustments previous years	(0.3)	(2.0)
Exempt income	(4.2)	(1.7)
Other	0.1	(0.0)
Effective tax rate	**22.9**	**25.5**

Tax expenses

	2010	2009
Current tax expenses	13,251	13,016
Adjustments previous years	(109)	(920)
Deferred tax expenses relating to acquisitions	(370)	(351)
Deferred tax expenses relating to temporary differences	(1,371)	(891)
Deferred tax expenses relating to losses carry forward	600	570
Exempt income, use of non-deferred carry forward losses and other	(2,108)	152
Total tax expenses	**9,893**	**11,576**

7.29 Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of Exact by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share

	2010	2009
Profit attributable to equity holders of Exact	33,104	33,622
Weighted average number of ordinary shares outstanding (thousands)	22,817	22,815
Basic earnings per share (€ per share)	1.45	1.47

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding, assuming conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares consist of shares granted as part of the long-term incentive plan. The number of potential dilutive ordinary shares is calculated based on the fair value of the shares at the date of grant and the expectations of management of the future performance with regards to the targets set in the long-term incentive plan.

Diluted earnings per share

	2010	2009
Profit attributable to equity holders of Exact	33,104	33,622
Weighted average number of ordinary shares outstanding (thousands)	22,817	22,815
Adjustment for share-based payments (thousands)	5	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**22,822**	**22,815**
Diluted earnings per share (€ per share)	1.45	1.47

The dividends paid for 2009 amounted to € 33,540 (€ 1.47 per share) of which an amount of € 18,481 was paid in 2010. For 2010 an interim dividend of € 0.52 per share was paid in August. Based on the dividend policy of Exact - a 100% net pay out in any year in which Exact does not execute a material acquisition - the final dividend amounts to € 0.93 per share. Amongst others as a result of the successful execution of the receivables collection program Exact currently has some excess cash that Exact does not foresee to require in the normal course of its operations. Therefore, in addition to the dividend calculated in accordance with the dividend policy of € 0.93 per share, an additional dividend payout of € 0.57 per share will be proposed at the General Meeting of Shareholders on May 26, 2011. This would bring the final dividend payment to € 1.50 per share and the total dividend for 2010 to € 2.02 per share, amounting to a total dividend of € 46,090.

7.30 Contingencies

Exact has contingent liabilities with respect to bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

As at December 31, 2010 Exact had issued a total amount of € 2,032 (2009: € 1,697) for guarantees. Exact has issued a guarantee of € 113 (2009: € 113) to guarantee payment of a potential settlement of a dispute on behalf of its subsidiary Exact Software Nederland B.V. In December 2010 the dispute got settled and consequently the bank guarantee is expected to be discharged early 2011. The remaining amount relates to several rental contracts.

Exact is involved in several legal cases. Management is of the opinion that the warranty provisions and the provisions for legal claims as at December 31, 2010 are adequate and that the final outcome of such litigation will not have a materially adverse effect on Exact's financial position or results of operations. New information could influence the outcome of these cases.

7.31 Commitments

Exact leases offices and vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Future aggregate minimum lease payments under non-cancellable operating leases

	2010	2009
Not longer than one year	7,956	8,058
Longer than one year and not longer than five years	21,247	19,839
Longer than five years	17,897	21,105
Total	**47,100**	**49,002**

The amounts related to 2009 have been restated to better reflect the commitments held by Exact at December 31, 2009.

Lease new building

During 2008 Exact entered into a new rental contract for its main office in the Netherlands. The related lease commitments have been included in the reported lease payments as of 2009. The new rental contract has commenced on the date the new building is completed and put at Exact's disposal by the developer, being January 19, 2010. The rental contract will last for 15 years and the annual rental costs started at € 1.8 million.

7.32 Events after the balance sheet date

In January 2011 Exact sold the major part of its car fleet in Delft via a sale and leaseback construction for an amount of € 2,532. Because the assets were sold at its carrying amount, this transaction had no effect on the profit and loss. The new lease contract for the cars has been classified as operational lease.

On January 1, 2011 Exact stopped its pilot of Exact Online in Turkey. Its participation in the entity in Turkey was sold to its co-shareholder. This transaction did not have a material impact on the financial position of Exact.

Early 2011 Exact announced the intention to close its offices in the Philippines, Indonesia, Thailand, Vietnam and Hong Kong. This decision has no material impact on the financial position of Exact as at December 31, 2010.

In January 2011, Exact acquired the remaining 20% of the shares of Exact Portugal Informatica, Lda for an amount of € 126.

No other events occurred between December 31, 2010 and March 31, 2011, the date that the financial statements were authorized for issue.

7.33 Related parties

The following transactions occurred with related parties:

	2010	2009
Sale of services		
Not later than one year	-	9

During 2010 all outstanding amounts, relating to transactions with former shareholders, have been settled.

7.34 Exact Holding N.V. and its subsidiaries

The consolidated financial statements for 2010 include the financial statements of Exact Holding N.V. (Delft, the Netherlands) and the following subsidiaries:

The Netherlands

- Exact Group B.V., Delft[1]
  - Exact Corporate Services B.V., Delft
  - Exact International Development B.V., Delft
  - Exact EMEA B.V., Delft
  - Exact Nederland B.V., Delft
  - Exact Online B.V., Delft [2]
  - Exact Management B.V., Delft [3]
  - Exact Software Nederland B.V., Delft

Europe

- Exact Software Austria GmbH, Vienna, Austria
- Exact Software Belgium N.V., Brussels, Belgium[4]
- Exact Software Czech Republic, s.r.o., Prague, Czech Republic
- Exact Software France Sarl., Paris, France
- Exact Software Deutschland GmbH, Munich, Germany
- Exact Software GmbH, Cologne, Germany
- Exact Software Hungary Kft., Budapest, Hungary
- Exact Software Ireland Ltd., Dublin, Ireland
- Exact Software Italia Srl, Cernusco sul Naviglio, Italy
- Exact Software Nordic A/S, Copenhagen, Denmark
- Exact Software Poland Sp. Z.o.o., Warsaw, Poland
- Exact Portugal Informatica, Lda, Braga, Portugal (80%)[5]
- Exact Software Romania Srl., Bucharest, Romania[6]
- Exact Software Slovakia s.r.o., Bratislava, Slovakia
- Exact Software Spain S.R.L., Madrid, Spain
- Exact Business Software (Switzerland) AG, Dübendorf, Switzerland
- Exact Software (UK) Ltd., Staines, Middlesex, United Kingdom[7]
  - Longview Solutions Ltd., London, United Kingdom
  - Runservicenet Ltd., London, United Kingdom
- Exact Online Yazilim ve Bilişim Hizmetleri Ticaret Anonim Şirketi, Turkey (60%)[8]

Asia

- Exact Software (Shanghai) Co., Ltd., Shanghai, China
- Exact Software Hong Kong, Ltd., Hong Kong
- PT Exact Software Indonesia, Jakarta, Indonesia[9]
- Exact Software Japan Co. Ltd., Tokyo, Japan
- Exact Software (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia
- Exact Asia Development Centre Sdn. Bhd., Kuala Lumpur, Malaysia
- Exact Software Asia Sdn. Bhd., Kuala Lumpur, Malaysia
- Macola (M) Sdn. Bhd., Petaling Jaya, Malaysia
- Exact Software Philippines, Inc., Manila, Philippines
- Exact Software Singapore PTE Ltd., Singapore
- Exact Software (Thailand) Ltd., Bangkok, Thailand
- Exact Software Vietnam Ltd., Ho Chi Minh City, Vietnam

Asia (continuation)

- Orisoft Technology Bhd., Petaling Jaya, Malaysia
  - Select Wizsoft Sdn. Bhd., Petaling Jaya, Malaysia
  - Orisoft Services Sdn. Bhd., Petaling Jaya, Malaysia
  - Orisoft Systems Sdn. Bhd., Petaling Jaya, Malaysia
  - Orisoft (Thailand) Co. Ltd., Bangkok, Thailand

North America, Latin America and the Caribbean

- Exact Holding North America, Inc., Dover, Delaware, United States of America
  - Exact Software North America, LLC., Dover, Delaware, United States of America
  - Exact Software ERP-NA, LLC., Dover, Delaware,United States of America
  - Longview of America, LLC., Dover, Delaware, United States of America
- Vanguard Solutions Group, LLC., Dover, Delaware, United States of America
- Longview Solutions Inc., Markham, Ontario, Canada
- Exact Software Canada Ltd., Cambridge, Ontario, Canada
- Exact Software de Mexico S.A. de C.V., Guadalajara, Mexico
- Exact Software (International) N.V., Curaçao, Netherlands Antilles[10]
  - Exact Software (Antilles) N.V., Curaçao, Netherlands Antilles

Africa and the Middle East

- Exact Software Maroc S.A., Casablanca, Morocco
- Exact Software South-Africa PTE Ltd., Centurion, South Africa
- Exact Software Middle East FZ-LLC, Dubai, United Arab Emirates (30%)[11]
  - Exact Software Kuwait LLC, Kuwait, Kuwait (49%)

Australia

- Exact Software Australia Pty Ltd., North Sydney, Australia

Branches/Trade name

- Exact Group B.V. has a branch office in Moscow, Russia and uses the trade name "Exact Russia Representative Office". Exact Software Australia (Pty) has a sales office in New Zealand.
- Subsidiaries not important to provide an insight into the Exact group of companies as required under Dutch law are omitted from this list.

In 2010 Exact Group B.V. sold its 70% participation in Informatica y Gestión S.A., Bogotá, Colombia which owns the following companies:

- Exact Siigo de Colombia ltda, Bogotá, Colombia
- Exact Siigo de Ecuador S.A., Quito, Ecuador
- Exact Siigo del Peru S.A.C., Lima, Peru

Notes

1 Unless stated otherwise, Exact Group B.V., Delft, the Netherlands, holds an interest of 100% (or almost 100%). Exact Group B.V. itself is a wholly owned subsidiary of Exact Holding N.V. Subsidiaries in which Exact Group B.V. does not hold an interest of 100% are indented under the corporation that holds the interest in that subsidiary or a note states which corporation holds the interest in that subsidiary.
2 Merged effective January 22, 2010 into Exact Software Nederland B.V., Delft, the Netherlands
3 Name changed from Exact Online Development B.V. to Exact Management B.V., Delft, the Netherlands, effective February 1, 2010
4 Of the 4,158,785 shares in the capital of Exact Software Belgium N.V., Wemmel, Belgium, 4,862 shares are held by Exact International Development B.V., Delft, the Netherlands
5 In Januari 2011 Exact Group B.V. acquired the residual 20% ownership in Exact Portugal Informatica, Lda, Braga, Portugal
6 Wholly owned subsidiary of Exact EMEA B.V., Delft, the Netherlands
7 Wholly owned subsidiary of Exact International Development B.V.
8 Participation has been sold effectively January 1, 2011
9 25% of the shares are held by Exact EMEA B.V.
10 Wholly owned subsidiary of Exact Asia Development Centre Sdn. Bhd., Kuala Lumpur, Malaysia
11 Despite owning only 30% stake in Exact Software Middle East FZ-LLC, Dubai, Exact fully consolidates this company because it has controlling power

7.35 Dutch GAAP company-only balance sheet as at December 31

Before profit appropriation

(in € thousands)	Note	2010	2009
ASSETS			
Non-current assets			
Intangible fixed assets	7.37.2	120	515
Financial fixed assets	7.37.3	322,560	283,823
Property, plant and equipment	7.37.4	4	9
Total non-current assets		**322,684**	**284,347**
Current assets			
Corporate income tax		4,559	1,658
Other receivables and prepayments		569	389
Other taxes and social securities		-	102
Cash and cash equivalents	7.37.6	585	571
Total current assets		**5,713**	**2,720**
Total assets		**328,397**	**287,067**
EQUITY AND LIABILITIES			
Share capital	7.37.7.1	488	488
Capital surplus	7.37.7.2	64,758	64,758
Retained earnings		36,966	38,111
Net income		33,104	33,622
Cash flow hedge reserve		(1,614)	(1,629)
Other reserves	7.37.7.3	10,513	6,184
Cumulative translation adjustment		904	(4,791)
Shareholders' equity	7.37.7	**145,119**	**136,743**
Current liabilities			
Accounts payable and other liabilities		576	241
Group companies	7.37.8	181,714	149,040
Other taxes and social securities		94	-
Accrued liabilities		894	1,043
Total current liabilities		**183,278**	**150,324**
Total equity and liabilities		**328,397**	**287,067**

7.36 Dutch GAAP company-only income statement for the year ended December 31

(in € thousands)	2010	2009
Income from participations in group companies after taxes	33,027	33,435
Other income after taxes	77	187
Net income	**33,104**	**33,622**

7.37 Notes to the Dutch GAAP company-only financial statements

7.37.1 Basis of preparation

Unless stated otherwise, all amounts are in thousands of euros.
The company-only financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands (NL GAAP).

The company financial statements have been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code, making use of the facility offered by Article 362 paragraph 8. This article allows the application of the same accounting policies for valuation of assets and liabilities and determination of the result to the company financial statements as are applied to the consolidated financial statements, whereby investments in subsidiaries are accounted for at net asset value in accordance with the equity method.

In conformity with Article 402, Book 2 of the Dutch Civil Code, a condensed statement of income has been included in the Exact Holding N.V. accounts.

A list of Exact's participations is disclosed in the consolidated financial statements on pages 132 and 133.

7.37.2 Intangible fixed assets

The changes in intangible fixed assets are shown below:

	Purchased software	Intellectual property	Total
Balance as at January 1, 2009			
Purchase value	300	-	**300**
Cumulative amortization	(60)	-	**(60)**
Book value	**240**	**-**	**240**
Investments	-	365	**365**
Amortization	(60)	(30)	**(90)**
Changes in book value	**(60)**	**335**	**(275)**
Balance as at December 31, 2009			
Purchase value	300	365	**665**
Cumulative amortization	(120)	(30)	**(150)**
Balance as at January 1, 2010	**180**	**335**	**515**
Investments	-	-	**-**
Amortization	(60)	(335)	**(395)**
Changes in book value	**(60)**	**(335)**	**(395)**
Purchase value	300	365	**665**
Cumulative amortization	(180)	(365)	**(545)**
Balance as at December 31, 2010	**120**	**-**	**120**

7.37.3 Financial fixed assets

The changes in financial fixed assets are shown below.

	2010	2009
Balance as at January 1	**283,823**	**250,259**
Result from participations in group companies	33,027	33,435
Translation result	5,695	(278)
Cash flow hedge result recognized in other comprehensive income	15	407
Balance as at December 31	**322,560**	**283,823**

7.37.4 Property, plant and equipment

The movements in property, plant and equipment are summarized below.

	2010	2009
Balance as at January 1		
Purchase value	20	20
Cumulative amortization	(11)	(6)
Book value	**9**	**14**
Investments	-	-
Depreciation	(5)	(5)
Disposals	-	-
Changes in book value	**(5)**	**(5)**
Balance as at December 31		
Purchase value	20	20
Cumulative amortization	(16)	(11)
Book value	**4**	**9**

Property, plant and equipment as at December 31, 2010 and 2009 relates to furniture.

7.37.5 Other receivables

As at December 31, 2010 the other receivables included a receivable of € 0 (2009: € 9) from a former shareholder. During 2010 all oustandings with former shareholders has been settled.

7.37.6 Cash and cash equivalents

As at December 31, 2010 Exact had a cash balance of € 585 (2009: € 571). No restrictions exist on cash.

7.37.7 Shareholders' equity

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Retained earnings €	Cash flow hedge reserve €	Other reserves €	Cumulative translation adjustment €	Share-holders' equity €
Balance at January 1, 2009	**24,400**	**1,588**	**488**	**64,750**	**75,664**	**(2,036)**	**3,571**	**(4,513)**	**137,924**
Net income	-	-	-	-	33,622	-	-	-	**33,622**
Other comprehensive income	-	-	-	-	-	407	-	(278)	**129**
Total comprehensive income	**-**	**-**	**-**	**-**	**33,622**	**407**	**-**	**(278)**	**33,751**
Settlement of earnouts	-	-	-	(48)	-	-	-	-	**(48)**
Reserve for capitalized R&D	-	-	-	-	(2,647)	-	2,647	-	**-**
Dividend related to 2008	-	-	-	-	(19,847)	-	-	-	**(19,847)**
Interim dividend 2009	-	-	-	-	(15,059)	-	-	-	**(15,059)**
Long-term incentive plan	-	(4)	-	56	-	-	(34)	-	**22**
Balance at December 31, 2009	**24,400**	**1,584**	**488**	**64,758**	**71,733***	**(1,629)**	**6,184**	**(4,791)**	**136,743**

* Payout of the retained earnings will be restricted for the negative amounts of the cumulative translation adjustment of € 4,791 and the cash flow hedge reserve of € 1,629.

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Retained earnings €	Cash flow hedge reserve €	Other reserves €	Cumulative translation adjustment €	Share-holders' equity €
Balance at January 1, 2010	**24,400**	**1,584**	**488**	**64,758**	**71,733**	**(1,629)**	**6,184**	**(4,791)**	**136,743**
Net income	-	-	-	-	33,104	-	-	-	**33,104**
Other comprehensive income	-	-	-	-	-	15	(88)	5,695	**5,622**
Total comprehensive income	**-**	**-**	**-**	**-**	**33,104**	**15**	**(88)**	**5,695**	**38,726**
Reserve for capitalized R&D	-	-	-	-	(4,421)	-	4,421	-	**-**
Dividend related to 2009	-	-	-	-	(18,481)	-	-	-	**(18,481)**
Interim dividend 2010	-	-	-	-	(11,865)	-	-	-	**(11,865)**
Long-term incentive plan	-	-	-	-	-	-	(4)	-	**(4)**
Balance at December 31, 2010	**24,400**	**1,584**	**488**	**64,758**	**70,070***	**(1,614)**	**10,513**	**904**	**145,119**

* Payout of the retained earnings will be restricted for the negative amount of the cash flow hedge reserve of € 1,614.

7.37.7.1 Share capital

The authorized share capital of Exact amounts to € 1.5 million, consisting of 75 million ordinary shares, each with a nominal value of € 0.02 per share. Currently there are 24,400,405 (2009: 24,400,405) ordinary shares outstanding, which are fully paid. Exact holds 1,583,744 (2009: 1,583,744) ordinary shares in treasury, which remain available for general purposes of the company, including but not limited to M&A activities.

The ordinary shares held in treasury by Exact have been deducted from the capital surplus at their purchase price, which equals the nominal value.

7.37.7.2 Capital surplus

The ordinary shares held in treasury by Exact have been deducted from the capital surplus at their purchase price.

7.37.7.3 Other reserves

The other reserves relate to the share-based payment for the Board of Managing Directors for the long-term incentive plan of € 25 (2009: € 29) and a legal reserve for the capitalized internally generated software of € 10,488 (2009: € 6,067). More information on the long-term incentive plan is provided in note 7.25.

The legal reserve related to the revaluation of the net assets of Informatica amounting to € 88 was released into the profit and loss statement upon divestment. More information on the divestment of Informatica is provided in note 7.7.

7.37.7.4 Share-based payments

See note 7.19 of the consolidated financial statements for the disclosure of the share-based payments.

7.37.8 Group companies

Payables mature within one year.

7.37.9 Employee benefits

Personnel expenses are specified below:

	2010	2009
Salaries and wages	4,145	3,254
Social security	125	87
Pension expenses – defined contribution plans	-	-
Healthcare contribution	62	55
Outwork	-	37
Other personnel expenses	1,478	1,781
Total	**5,810**	**5,214**

All personnel expenses have been charged to group companies.

See note 7.25 of the consolidated financial statements for the disclosure of the remuneration of the Board of Managing Directors.

7.37.10 Other operating expenses

The expenses below were charged by Ernst & Young Accountants LLP.

	2010	2009
Audit	265	225
Audit related	-	32
Other	17	34
Total	**282**	**291**

The expenses below were charged by other Ernst & Young partnerships in the Netherlands.

	2010	2009
Ernst & Young Belastingadviseurs LLP		
Tax-related advice	-	80
Total	**-**	**80**

7.37.11 Earnings per share

See note 7.29 of the consolidated financial statements for the disclosure of the earnings per share.

7.37.12 Employees

In 2010 Exact's average number of employees was 23 FTEs (2009: 27). Costs related to the employees have been charged to group companies.

7.37.13 Contingencies

Exact has contingent liabilities with respect to bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

As at December 31, 2010 Exact had issued a total amount of € 1,187 (2009: € 584) for guarantees. Exact has issued a guarantee of € 113 (2009: € 113) to guarantee payment of a potential settlement of a dispute on behalf of its subsidiary Exact Software Nederland B.V. In December 2010 the dispute got settled and consequently the bank guarantee is expected to be discharged early 2011. The remaining amount relates to several rental contracts.

Exact Holding N.V. issued a liability statement for almost all of its subsidiaries in the Netherlands in conformity with article 2:403 paragraph f of the Dutch Civil Code.

7.37.14 Commitments

The future aggregate minimum contract payments amount to € 0 (2009: € 0).

Delft, March 31, 2011

Board of Managing Directors
Martijn Janmaat, CEO
Max Timmer, CFO

Supervisory Board
Rolf Deves (Chairman)
Rob Hoevens

8 Other information

We help maintain the balance in our customer's business because ultimately, it's our business too.

8.1 Independent auditor's report

To: The Board of Managing Directors of Exact Holding N.V.

Report on the financial statements

We have audited the financial statements 2010 of Exact Holding N.V., Delft, the Netherlands as set out on pages 84 to 139. The financial statements include the consolidated financial statements and the company-only financial statements. The consolidated financial statements as set out on pages 84 to 133 comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company-only financial statements as set out on pages 134 to 139 comprise the company-only balance sheet as at December 31, 2010 the company-only profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Managing Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Exact Holding N.V. as at December 31, 2010 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company-only financial statements

In our opinion, the company-only financial statements give a true and fair view of the financial position of Exact Holding N.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Managing Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, March 31, 2011

Ernst & Young Accountants LLP

/s/ O.E.D. Jonker

8.2 Provisions governing profit appropriation

The provisions governing the profit appropriation are set out in articles 23 and 24 of the Articles of Association.

Article 23

1. The Board of Managing Directors shall determine, subject to the approval of the Supervisory Board, which amount of the profit will be added to the reserves. The balance of the profit shall be at the free disposal of the General Meeting. In calculating the amount of profit to be distributed in respect of each share, only the amount of the mandatory payments towards the nominal amount of the shares shall be taken into account.
2. Exact may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the shareholders' equity exceeds the sum of the paid and any called-up part of the share capital and the reserves that must be maintained by law. In calculating the appropriation of profits, the shares held by Exact in its own share capital shall not be taken into account.
3. Distribution of profits shall take place after the adoption of the annual accounts that show that the distribution is permitted.
4. The Board of Managing Directors may resolve to distribute one or more interim dividends and/or other interim distributions, provided that the requirement laid down in paragraph 2 has been met as shown in an interim statement of assets and liabilities as referred to in Article 2:105(4) of the Dutch Civil Code.
5. Subject to the approval of the Supervisory Board, the Board of Managing Directors may resolve that a dividend on shares shall be distributed in the form of shares instead of cash, or to resolve that shareholders be given a choice as to whether to receive a dividend in the form of cash or shares, all the above to the extent that Board of Managing Directors has been designated pursuant to Article 8 as the body empowered to resolve to issue shares. Subject to the approval of the Supervisory Board, the Board of Managing Directors shall determine the conditions subject to which such a choice can be made.
6. Subject to the approval of the Supervisory Board, the Board of Managing Directors may resolve to make distributions to the shareholders out of one or more reserves in the form of either cash, shares or a combination of the two, in proportion to the aggregate nominal amount of each shareholder's shares, all the above provided that the requirement laid down in paragraph 2 has been met as shown in an interim statement of assets and liabilities as referred to in Article 2:105(4) of the Dutch Civil Code.

Article 24

1. Distributions pursuant to Article 23 shall be due and payable as from a date to be determined by the Board of Managing Directors.
2. Distributions pursuant to Article 23 shall be payable at an address or addresses, in the Netherlands and abroad, to be determined by the Board of Managing Directors.
3. A shareholder's claim for payment of dividends shall lapse on the expiry of a period of five years following the date on which the claim became due and payable.

8.3 Proposed Dividend to Shareholders

Profit appropriation 2009

The General Meeting of Shareholders agreed with the proposed dividend distribution of € 1.47 per share for the year 2009.

(In € thousands)	
Interim dividend 2009 (€ 0.66 per share, paid August 7, 2009)	15,059
Available for final dividend in cash (€ 0.81 per share)	18,563
Total	**33,622**

Proposed profit appropriation 2010

It will be proposed to the General Meeting of Shareholders that the profit for 2010 be appropriated as follows:

(In € thousands)	
Interim dividend 2010 (€ 0.52 per share, paid August 13, 2010)	11,865
Final dividend in cash (€ 1.50 per share)	34,225
Total	**46,090**

9 Forward looking statement

We welcome change. It's dynamic, revitalizing and necessary. We accept it, adapt and move on.

9 Forward looking statement

This annual report contains forward-looking statements with respect to Exact's future (financial) performance and position. Such statements are based on our beliefs, expectations, projections and the estimates that are currently available to us. The forward-looking statements that we make represent our judgment as at the dates on which the statements were made.

Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "shall", "will", "expect", "believe", and similar terms and phrases. These statements include, among others, statements regarding our business strategy, future financial position and results, our management's plans and objectives for future operations, and discussion of future developments with respect to the business of Exact. Forward-looking statements are by nature subject to substantial risks and uncertainties, and investors should not unduly rely on such statements.

Forward-looking statements reflect our current views with respect to future events and are not a guarantee for future performance and are based on management's beliefs and assumptions based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect.

Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, many of which are beyond our control, including, but not limited to, the general economic conditions, the performance of the financial markets, currency exchange rates, our ability to continue our expansion in new and existing markets, our ability to keep pace with technological changes and to develop and commercialize new products, our ability to integrate acquisitions and manage the continuous growth of Exact, behavior of our customers, resellers, suppliers and competitors, our ability to recruit and retain key personnel, changes in government policies, laws or regulations or international conventions and standards, in particular those in the Netherlands, the USA and the European Union, and other risk factors discussed in this annual report.

With the exception of the matters required by law we have no obligation to update any information contained in this annual report nor to publicly release the results of any revisions to any forward-looking statements to reflect events or circumstances that occur, or that we become aware of, after the date of this annual report.

Colophon

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Layout:	STUDIO/25/6, Delft
Print:	Drukkerij Grafia, Pijnacker

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