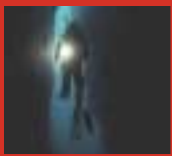
EXACT EMPOWERS

Exact Holding N.V. Annual Report 2006

Exact software®

Contents

Highlights 2006

- Total revenue increased 7.8 percent to

  € 242.1 million

- EBIT increased 12.6 percent to

  € 45.9 million

- Operating cash flow increased 28.2 percent to

  € 41.6 million

- Recommended dividend increased 42 percent to

  € 1.42 per share

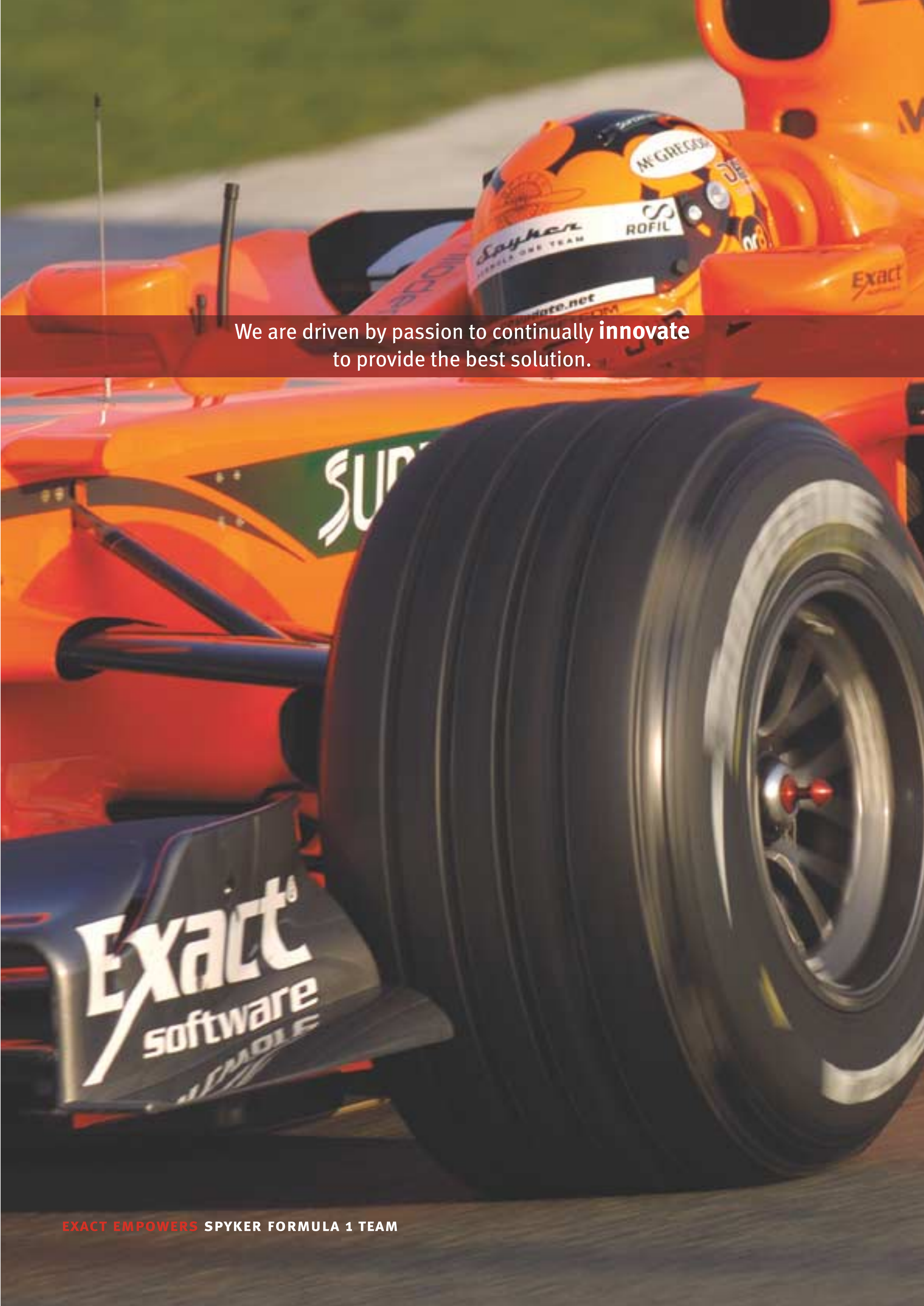
- Exact e-Synergy related revenue increased 52 percent to

  € 26 million

Key figures

(in thousands of euros)	2006	Change	2005	2004	2003*	2002*	2001*
Results							
License revenue	**71,351**	7.5%	66,347	65,035	60,267	64,382	74,511
Maintenance revenue	**123,780**	3.3%	119,772	117,782	117,178	119,701	99,384
Service revenue	**46,934**	22.2%	38,409	29,577	28,953	29,899	32,409
Total revenue	**242,065**	7.8%	224,528	212,394	206,398	213,982	206,304
Operating income (EBIT)	**45,909**	12.6%	40,788	50,265	41,595	38,819	41,352
Net income	**34,390**	7.4%	32,010	39,579	32,247	26,657	30,418
Operating cash flow	**41,616**	28.2%	32,456	42,120	32,258	37,710	45,586
Employees							
Average number of employees	**2,644**	−0.2%	2,650	2,153	2,025	2,054	1,863
Number of employees at year-end	**2,591**	−4.0%	2,698	2,318	1,987	2,055	1,836
Balance sheet facts							
Total assets	**280,798**	1.7%	276,123	238,538	214,260	205,189	189,781
Short term investments, cash and cash equivalents	**127,813**	8.7%	117,585	130,109	111,213	80,191	83,200
Total equity	**184,703**	3.4%	178,578	158,568	155,853	126,890	106,736
Net working capital (incl. cash)	**106,243**	12.9%	93,792	105,785	104,195	60,299	67,556
Ratios							
EBIT margin	**19.0%**	4.4%	18.2%	23.7%	20.2%	18.1%	20.0%
Net income margin	**14.2%**	−0.7%	14.3%	18.7%	15.6%	12.5%	14.7%
Current ratio (incl. cash)	**2.3**	4.5%	2.2	2.5	3.0	1.9	2.1
Return on equity	**19.0%**	−1.0%	19.1%	27.0%	20.5%	23.0%	35.8%
FIGURES PER SHARE							
Average number of shares outstanding (in thousands)							
Basic	**24,032**	0.7%	23,867	23,663	23,490	23,372	23,124
Diluted	**24,035**	0.7%	23,870	23,668	23,513	23,481	23,399
Earnings per share							
Basic (in euros)	**1.42**	5.7%	1.34	1.68	1.37	1.14	1.32
Diluted (in euros)	**1.42**	5.7%	1.34	1.68	1.37	1.14	1.30
Share price at year-end (in euros)	**24.48**	2.8%	23.82	21.95	21.10	12.40	31.26
Dividend per share (in euros)	**1.42**	42.0%	1.00	1.00	0.75	0	0
Dividend return (based on year-end share price)	**5.8%**	38.1%	4.2%	4.6%	3.6%	–	–

* From 2001 to 2003 reported in Dutch Generally Accepted Accounting Principles.



We are driven by passion to continually **innovate** to provide the best solution.

Letter from the CEO

Dear shareholders, customers, partners and colleagues,

Just over 18 months ago the current management team took the helm of Exact. After a challenging start in the summer of 2005 as end responsible for the group, I am delighted to present the Annual Report about our first full year results.

We started 2006 with a clear and concise strategy and plan to achieve continued growth and profitability over the coming years. This plan takes into account a healthy balance between organic and acquisitive growth, while ensuring sound EBIT development. During 2006 we diligently executed our plan, and based on the results, I am confident we have made the right choices and decisions. Our plan stretches over a mid- to long-term period, and the results at the end of the first year of execution are encouraging.

We achieved a total revenue growth of 7.5% and for the first time in 5 years, Exact showed organic growth, which was mainly driven by Exact e-Synergy. Growth of our flagship product accelerated to 52% compared to 2005. While driving growth we have been unlocking operational leverage, and as a result we have seen our EBIT increase to 19% from 18% in 2005. In addition to this encouraging revenue growth and EBIT development, we have achieved strong cash flows, further strengthening our already solid balance sheet. This, combined with our confidence in the future, has motivated us to change our dividend policy to distribute 100% of net income for any year where we did not conduct any major acquisitions. This policy change will be presented in the forthcoming Annual General Meeting of Shareholders on April 25, 2007.

During 2006 we have seen continued consolidation of our industry, showing signs of increased maturity in the traditional ERP space. Based on a substantial and loyal customer base, a sustainable maintenance model, and our sound and innovative product offering that reaches beyond traditional ERP, Exact is one of the few leading global players that has been able to drive its business forward independently.

As our industry evolves, we see an increasing shift of investments from automation of administrations to front-office solutions such as CRM and HRM, which allow companies to further grow their business. As a result of continued emphasis on innovation and product development, Exact can address these solution areas and market trends in one integrated application – Exact e-Synergy. This enables us to not only assist our customers with their administrative processes but also empower them in growing their business based on a fully integrated solution, which will continue to be Exact's key driver for organic growth.

My pledge to you to diligently execute our plan would not be feasible, and these results would not have been possible, without the continued commitment, loyalty and focus of our business partners globally, which are key in reaching our customers and prospects. I would also like to thank our Works Council for the excellent working relationship and the Supervisory Board for their continued support, guidance and advice on strategic matters.

Last but not least I would like to mention the one key resource in our organization that really makes the difference – our employees. Their commitment, passion, drive, and ambition are instrumental to our success, and I would like to thank each and every one of them for their efforts and willingness to join me on this exciting journey.

Based on our strong fundamentals, I am confident that Exact is geared up for balanced growth, both organically and via acquisitions, to become the leading Business Empowerment Software company in the SMB market.

On behalf of the entire management team I would like to thank you for your continued support and commitment, and your trust in us to continue to drive shareholder value in the coming years.

Delft, March 28, 2007

Yours truly,

Raj Patel

Company profile

Established in 1984, Exact Software is one of the world's leading providers of business software solutions.
Its integrated solutions comprise traditional Enterprise Resource Planning (ERP) as well as related software solutions such as Human Resource Management (HRM), Customer Relationship Management (CRM), Project Management, and Electronic Workflow.

Exact is headquartered in Delft, the Netherlands and has offices in Europe, the Middle East, North and South America, Asia, Australia and Africa. With around 2,600 employees, subsidiaries in more than 40 countries, and solutions available in 40 languages, Exact currently serves customers in more than 125 countries across all five continents.

Exact Holding N.V. has been listed on Eurolist by Euronext Amsterdam since June 1999.

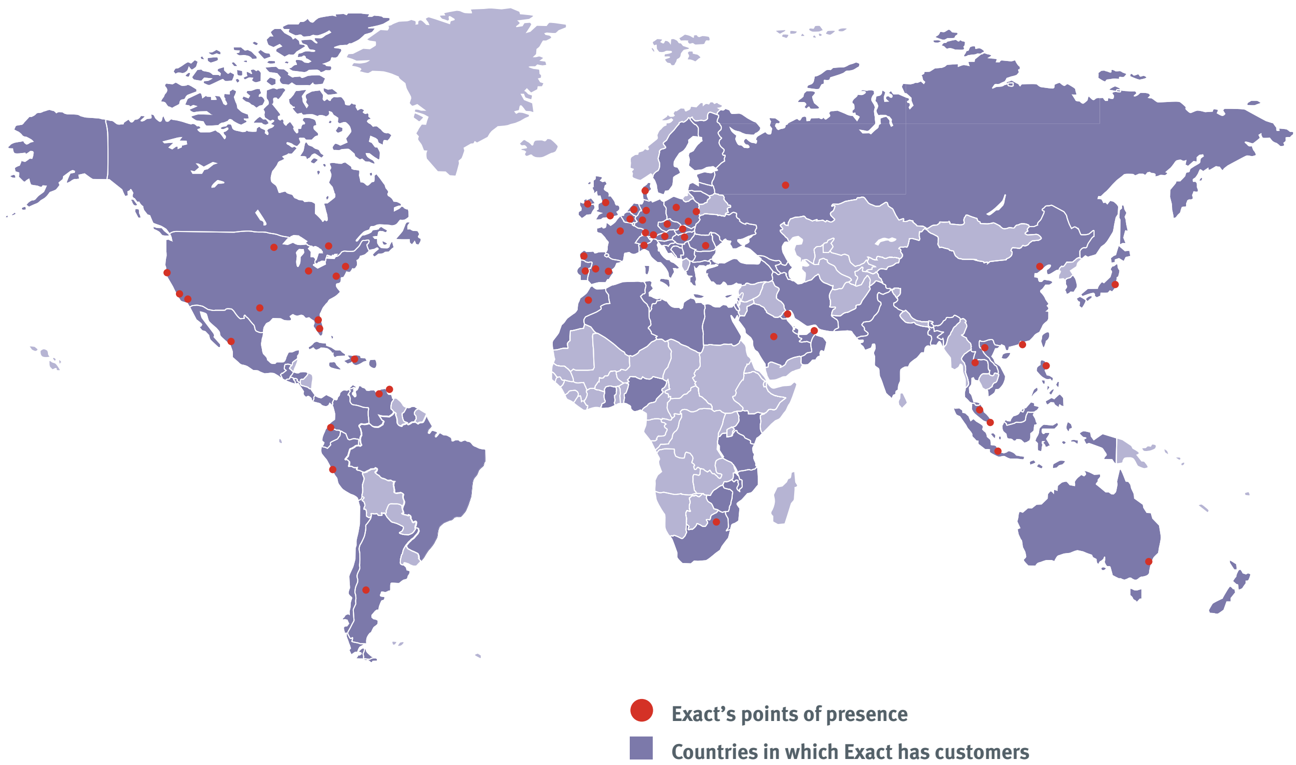
MID MARKET

Exact operates in the mid market segment of the business software industry. This market encompasses both traditional Enterprise Resource Planning (ERP) and related software solutions such as Human Resource Management (HRM), Customer Relationship Management (CRM), Project Management, and Electronic Workflow.

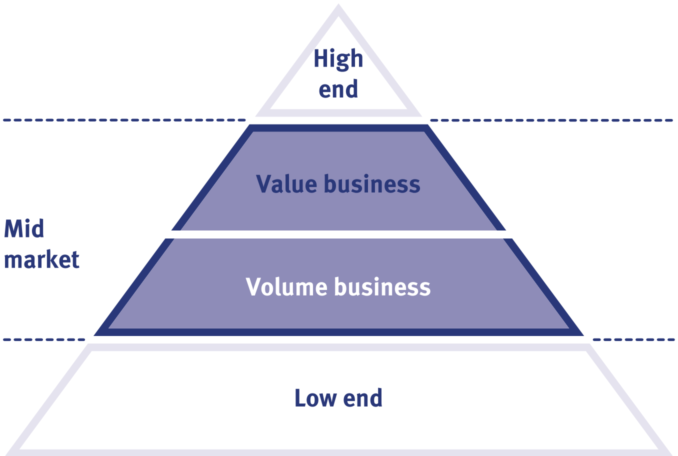
The mid market segment can be divided into two major sectors that are distinctive in terms of market approach and infrastructure requirements for distribution and customer services.

Volume business approach

The volume-driven approach concentrates on the low end of the mid market. This focus is on relatively small companies that need business software that features a limited range of functions and is ready and easy to use. These applications



can be provided as packaged software and can also be offered as a service (SaaS) via the internet. A successful business model in this segment needs to cater to large volumes, which in turn demands indirect distribution via traditional Value Added Resellers (VARs) or non-traditional partners such as banks, internet service providers or retail outlets.



Value business approach

The value-driven approach concentrates on the higher end of the mid market. The focus is on offering solutions to mid-sized companies that require extensive software support to automate and integrate business processes. The solutions must take into account the nature of the business and specific industry requirements. A successful business model in this segment requires a different level of professional services as well as business process and industry know-how.
The solutions must be provided either directly or via highly qualified partners who leverage Exact's expertise to provide local service and support.

Exact fulfills all the necessary requirements in terms of organization, infrastructure, and distribution to succeed in both market segments. Exact has developed a strategic product portfolio that allows the Company to successfully operate in the complete range of the mid market. This is clearly demonstrated by a proven track record in both the volume business segment and the value business segment.

ORGANIZATIONAL STRUCTURE

Around the world and across all customer profiles, Exact's focus is always on enabling customers to become more efficient and successful by using a single, integrated solution.

In order to successfully respond to distinct customer needs in different mid market segments and geographical regions, Exact has the following Strategic Groups:

Netherlands

As the clear mid market leader in its home market of the Netherlands, Exact continues to focus on the traditional lower end of the mid market and is building on this strong basis to gradually expand further into the value-driven, higher end of the mid market.

International

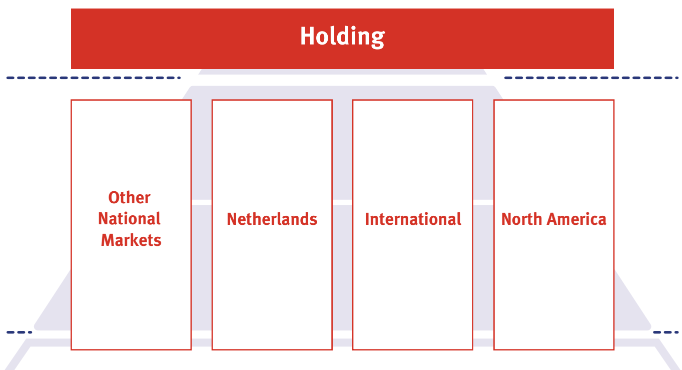
As one of the leading business software providers for small to medium-sized subsidiaries of international companies, Exact International offers one global product and a uniform level of service via a global network of more than 40 subsidiaries on all continents.

North America

Exact enjoys a leading position in the North American mid market with a strong foothold in the manufacturing and distribution sector. The additional offering of corporate product lines enables an expansion into additional sectors and the higher end of the mid market.

Other National Markets

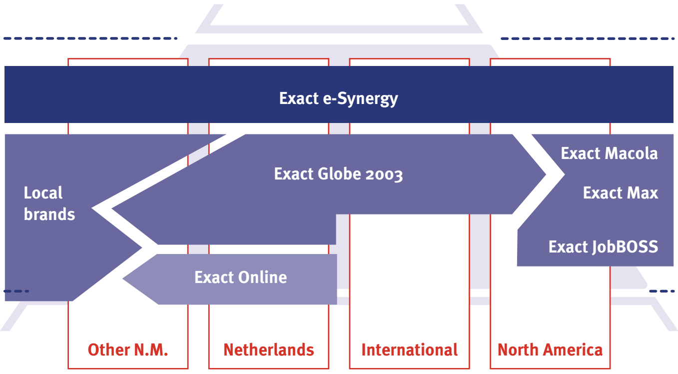
As a market consolidator in the ERP industry, Exact has acquired and will continue to acquire local leading brands in several countries with sizeable customer bases, organized in the Strategic Group Other National Markets to leverage Exact e-Synergy and Exact Online.



While each of the Strategic Groups has a distinctly different type of customer, they all share the same vision, infrastructure, and commitment to providing integrated solutions.

PRODUCT PORTFOLIO

Exact has developed a strategic product portfolio that allows it to successfully operate in the complete range of the mid market.



Exact e-Synergy

Customer trends in the software industry are changing. Customers are no longer seeking ‘killer applications’ but are rather focused on materializing their investments and extending their application life cycles. This trend is reflected in the low single-digit growth of the traditional ERP market globally. Growth opportunities, therefore, are found in areas that allow customers to extend their ERP life cycles by implementing applications that go beyond the traditional areas of ERP without jeopardizing their existing investments. Exact recognized this trend at an early stage. This led to the development of Exact e-Synergy, Exact’s Business Empowerment Software. Exact e-Synergy is a browser-based application that works in conjunction with traditional ERP applications and offers a platform for online communication and collaboration to share information among all resources of an organization, covering areas such as HRM, CRM, logistics, and financials facilitated by document, workflow, and project management. Employees, customers, suppliers, and partners are provided with real-time access to information stored in a central, integrated database. This enables customers to provide a single source of truth to all information workers and hence boost efficiencies, as well as to extend the life cycles of their existing business software investments.

Traditional ERP products

Exact’s ERP product portfolio focuses on automating the traditional back-office ERP processes. It provides support for financial, HR, sales, marketing, logistics, and manufacturing processes.

To be able to successfully meet current and future customer needs from smaller as well as medium-sized organizations in various sectors in both a local and an international environment, Exact offers different traditional ERP solutions within its Strategic Groups.

This includes Exact Globe 2003 – an international product available in more than 40 languages and supporting more than 40 legislations, manufacturing-oriented products such as Exact Macola, Exact Max, and Exact JobBOSS, local horizontal products such as Dimoni and SIIGO, and the German payroll product Lohn XL.

Exact Online

Exact Online is an internet-based accounting solution where the application is provided as a service via the Internet (SaaS). This means that customers do not need to install anything. They simply use the software as a service in a secured internet surrounding and pay a monthly subscription fee. Easy to use and with no initial investment necessary, Exact Online is an excellent solution for the lower end of the mid market.

Consulting, implementation and training services

Implementing new software is often associated with high risk, resulting in late delivery and unexpected costs. Developed on the basis of years of experience and tested in projects all over the world, Exact is using standard implementation methodologies enabling the Company and its partners to provide customers with a maximum of control and manageability regarding leadtime and budget of implementation projects.

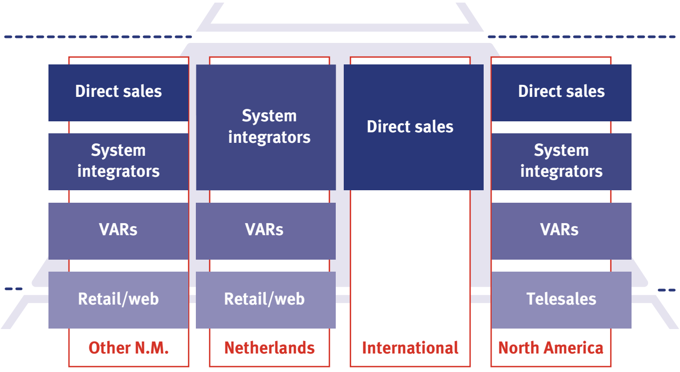
The approach of implementing software varies from one customer to another and depends on many factors, including company size, project scope, and sector. To meet these varying needs, Exact supports different implementation models covering a range from local single-site implementations to large international multi-site implementations.

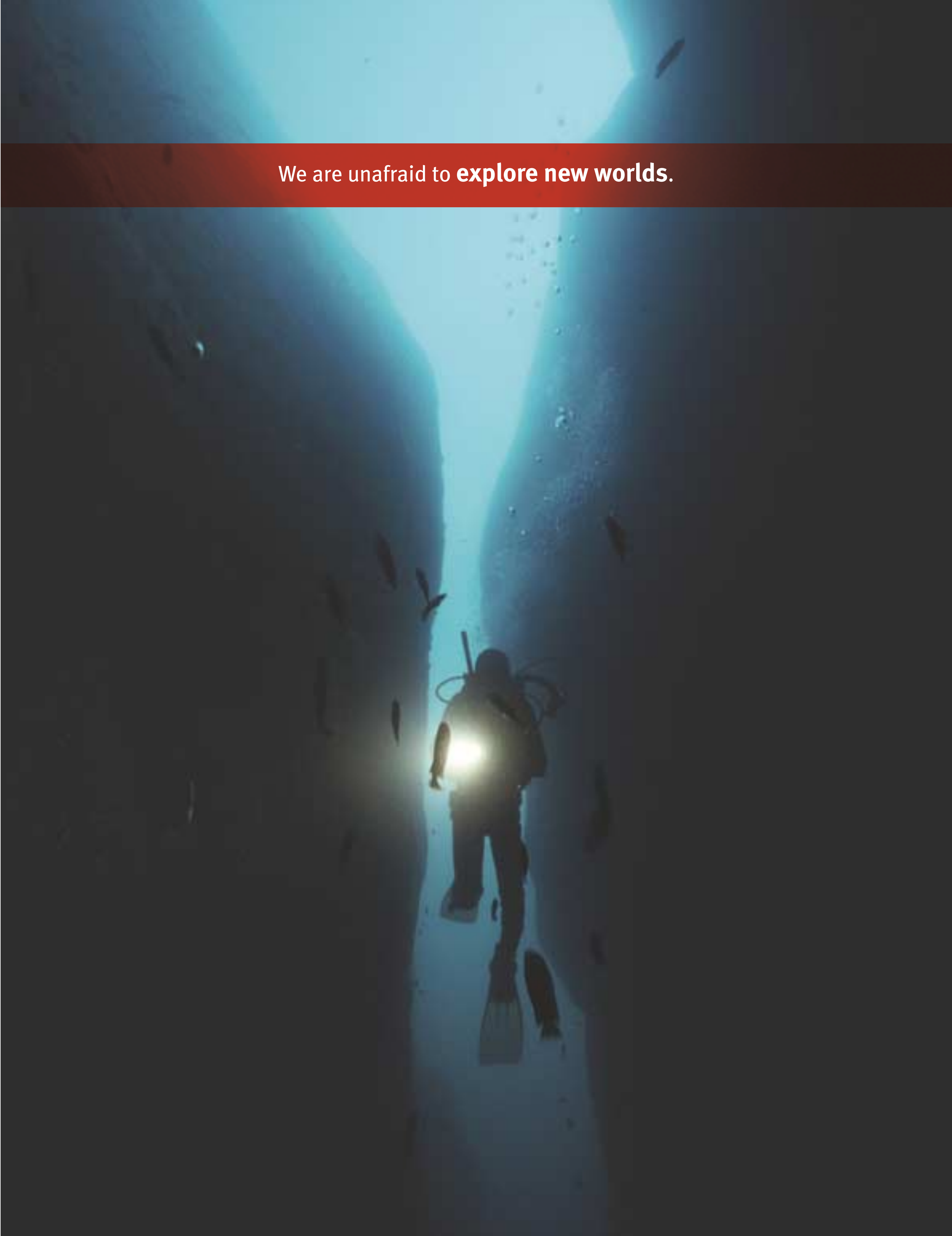
Support services

An integral part of Exact's success since its inception has been its commitment and drive towards customer satisfaction globally. Exact's customers do not just acquire its software, they seek a high level of continuous support. These services are provided by Exact's extensive global network across over 40 subsidiaries and via its highly qualified partners across the world. Revenues from support services represent over 50% of Exact's global revenue and are reoccurring in nature. In return, customers are guaranteed the highest level of service and availability in multiple locations and languages across the globe, as well as continued improvements and maintenance releases of Exact's software.

DISTRIBUTION

To successfully operate in the complete range of the mid market with its materially different market approaches – value business and volume business approach – requires a multi-level distribution strategy including different indirect channel types as well as a direct sales model. Exact employs different distribution strategies in its Strategic Groups based on the market it is serving. In the Netherlands the distribution is completely indirect, while Exact International sells only directly. Exact Other National Markets and Exact North America have a hybrid distribution model, selling both directly and indirectly via value-added resellers and system integrators.





EXACT EMPOWERS PADI, PROFESSIONAL ASSOCIATION FOR DIVING INSTRUCTORS

Mission, values and strategy

MISSION

Exact's mission is to empower small and medium-sized organizations with fully integrated business software that give all employees and stakeholders real-time access to relevant information based on one central data source.

By increasing access to information and integrating business processes throughout the Company and across the value chain, Exact's customers are able to improve quality of information, reduce IT and overhead costs, empower individuals, and enable collaboration. This ultimately leads to increased efficiencies by establishing a 'real-time' dynamic enterprise.

VALUES

In addition to a common vision, strategy and philosophy, a common set of values is used as guiding principles in the way Exact runs, directs and manages its business. This extends to Exact's shareholders, employees, customers, suppliers, business partners, and all related stakeholders.

Having excellent products, providing the best services, and having a sound financial basis are prerequisites for successful participation in the software industry. Exact strongly believes that the emotional fuel of its human capital helps the organization gain an additional competitive edge. Exact employees form a unique team built on trust, respect, honesty, and integrity, and with their courage, passion, and fun, they can deliver great experiences to all Exact's stakeholders.

STRATEGY

Exact's goal is to achieve balanced growth, organically as well as through acquisitions, to become the leading Business Empowerment Software company in the SMB market.
To achieve that goal, a clear strategy consisting of three key components – Protect, Grow and Acquire – has been defined.

The first component is to protect Exact's leading market position in the traditional ERP business, which is responsible for the strong cash-generating capacity of the Company. Customer trends in the software industry are changing. Customers are no longer seeking 'killer applications' but want to better leverage existing investments by extending their application life cycles. This trend is reflected in the low single-digit growth of the traditional ERP market globally. Additional ERP investments are therefore mainly focused on extensions and enhancements; new investments are to large extent replacements. Continuous investments in Exact Globe 2003 and Exact's local ERP products, combined with a strong focus on customer retention, ensure that license revenue generation and customer satisfaction remain high. Exact e-Synergy further reinforces customer retention because it can be seamlessly integrated with Exact's back-office products, and in this way offers added functionalities that extend the life cycle of the customer's ERP investments. Protecting Exact's leading market position in the ERP business is the foundation for further investments in fast growing areas beyond traditional ERP.

The second component is to grow organically through unique and in-demand Business Empowerment Software: Exact e-Synergy. Since traditional ERP is a replacement market, growth opportunities are found in areas that allow customers to extend their ERP life cycles by implementing applications that go beyond the traditional areas of ERP without jeopardizing their existing investments. Customers demand increasingly verticalized solutions based on business templates that focus on customer-centric processes. While these related front-office solution areas such as Customer Relationship Management (CRM) and Human Resource Management (HRM) are maturing in the high end of the market, they are booming in the SMB market. At the same time, the SMB market is adopting trends such as Business Process Management (BPM), Business Analytics (BA) and Corporate Performance Management (CPM). Exact e-Synergy is addressing these solution areas and market trends in one integrated application. Therefore Exact can not only assist its customers with their administrative processes but also empower them in boosting their business based on a fully integrated solution, which will continue to be Exact's key driver for organic growth.

Exact is geared up for balanced organic growth to become the leading Business Empowerment Software company in the mid market.

The third component of Exact's strategy is acquiring to facilitate the first two strategy components: protecting the existing ERP business and customer base and growing organically through unique and in-demand Business Empowerment Software. Therefore Exact has defined a clear acquisition strategy with three types of targets:

1 Acquisition of technology to strengthen Exact's Business Empowerment Software offering:
The main focus of technology acquisitions is to deepen or extend functionalities of Exact e-Synergy to further increase competitiveness of Exact's Business Empowerment Software. Being a make or buy decision, these acquisitions must provide significant advantages in terms of cost effectiveness and time to market compared to own development.

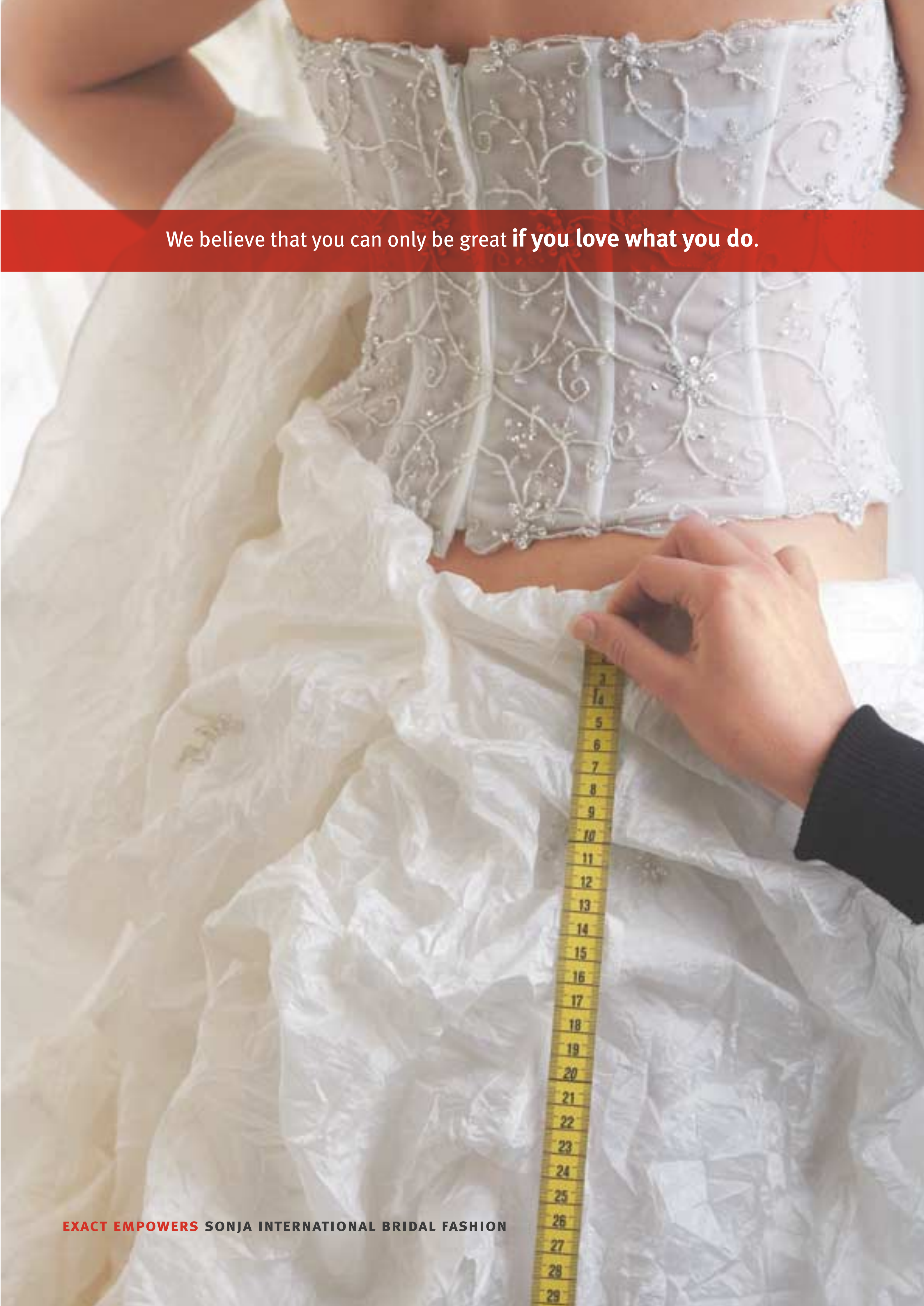
2 Acquisition of business partners to strengthen know-how and distribution capabilities:
The acquisition of existing business partners in selected markets supports customer retention and accelerates organic growth via additional sales and service resources and capabilities. At the same time, these kinds of acquisitions are used to strengthen the distribution footprint of Exact in a specific country or region.

3 Acquisition of local ERP companies to leverage their customer base:
Local brands with a stable and mature ERP offering and a substantial and loyal customer base provide cross-selling opportunities to drive organic growth. Seeking to better leverage existing investments to extend their application life cycles, the customer base can be leveraged with Exact e-Synergy. Furthermore these acquisitions enable entries in new geographic markets.

All three types of acquisitions facilitate the strategy to protect, leverage and accelerate growth and are not a goal by themselves. Next to the strategic rationale, Exact strongly believes that a cultural fit determines the success of acquisitions. Therefore special attention is paid to values and culture during the due diligence process. A clear integration model ensures successful execution of acquisitions.

At all times these acquisitions should increase shareholder value. To measure this, Exact calculates the value based on discounted free cash flows of an acquisition, which then should meet a hurdle rate of 9.75%, which is the weighted average cost of capital of the Company.

Exact believes that with its solid product offering and customer base, it is well positioned to stay a leading player in its core ERP business. At the same time Exact has, with Exact e-Synergy, a unique in-demand offering that will enable organic growth. Based on these two strong fundamentals, combined with its clear acquisition strategy, Exact is geared up for balanced organic growth to become the leading Business Empowerment Software company in the mid market.



We believe that you can only be great **if you love what you do**.

EXACT EMPOWERS SONJA INTERNATIONAL BRIDAL FASHION

The Members of the Board of Managing Directors

Rajesh Patel (CEO)

Date of birth: May 16, 1969
Position: Chief Executive Officer (as of July 1, 2005)
Nationality: British
Date of initial appointment: April 7, 2005
Current term of office: 4 years
Number of shares: 20,992

Rajesh Patel began his career in 1991 with PC World, a retail chain selling home computers and equipment via retail stores. He then joined Computer Company, where he concentrated on the company's international operations in general, with a particular focus on acquisitions. In 1994 he took up a position with IPC in Singapore, where he focused on the company's core activities: sales, marketing and manufacturing of PCs and related equipment. He held a number of management positions within IPC, both in Asia and Europe, before joining Exact Software on March 1, 1996. Rajesh Patel has held a number of senior managerial posts within Exact. Prior to his role as CEO he was Group Director of Exact International.

Jim Kent (Vice President)

Date of birth: September 13, 1958
Position: Vice President
Nationality: American
Date of initial appointment: April 7, 2005
Current term of office: 4 years
Number of shares: none

Jim Kent began his career as a consulting manager in 1984 with Moody, O'Sullivan & Co. while completing his Master of Business Administration degree at Southern New Hampshire University. He completed his MBA in 1987 and founded his own business consulting and software solutions company, the Kent Group. The firm grew to include offices in the North and Southeast regions of the USA. Exact acquired the Kent Group in September 2001 and Jim Kent was appointed in 2002 as General Manager of the Macola division within Exact Software North America before being appointed Group Director of Exact Software North America in 2005.

Report of the Board of Managing Directors

Since being appointed in the summer of 2005, the Board of Managing Directors has defined a clear management agenda, which has been agreed upon with the Supervisory Board. During 2006 Exact has continued to execute on this agenda, which is primarily focused on gearing up for continued growth and profitability. This agenda includes the implementation of a number of preconditions to grow such as sound customer retention, continuous innovation, strong operational leverage, and a sound financial strategy. The results of 2006 show the initial merits of Exact's strategy execution and the Board of Managing Directors is confident that by continuous diligent execution it will continue to drive shareholder value and return.

Key financial figures (in thousands of euros)	2006	Change	2005	2004
License revenue	**71,351**	7.5%	66,347	65,035
Maintenance revenue	**123,780**	3.3%	119,772	117,782
Service revenue	**46,934**	22.2%	38,409	29,577
Total revenue	**242,065**	7.8%	224,528	212,394
EBITDA	**52,583**	13.1%	46,500	56,697
EBITDA margin (in %)	**21.7**		20.7	26.7
EBIT	**45,909**	12.6%	40,788	50,265
EBIT margin (in %)	**19.0**		18.2	23.7
Net income after tax	**34,390**	7.4%	32,010	39,579
Net income margin (in %)	**14.2**		14.3	18.6
Diluted EPS* (in euros)	**1.42**	5.7%	1.34	1.68
Diluted cash EPS* (in euros)	**1.73**	27.2%	1.36	1.55

* Based on average diluted number of shares outstanding (2006: 24.03 million; 2005: 23.87 million).

FINANCIAL RESULTS

Revenue development

2006 was a year in which Exact focused on continued improvement of operational excellence in each of its Strategic Groups, leading to increased profitability in almost all areas. While increasing operating income, new management focused on gearing up the organization for further growth in the coming years. Total revenue increased from € 224.5 million in 2005 to € 242.1 million in 2006, an increase of 7.8%. Foreign exchange rates negatively impacted revenue by € 0.7 million. Acquisitions added € 13.8 million to revenue. The organic revenue growth, defined as total revenue development at constant currencies excluding the contribution of acquisitions, was 2.0%. Revenue related to Exact e-Synergy grew strongly at 52% to € 26 million (2005: € 17 million), reflecting the first fruits of sound strategy execution. Total license revenue increased 7.5% to € 71.4 million compared to € 66.3 million in 2005. This increase is mainly due to the increased license sales in the Netherlands and North America, and fueled by Exact e-Synergy.

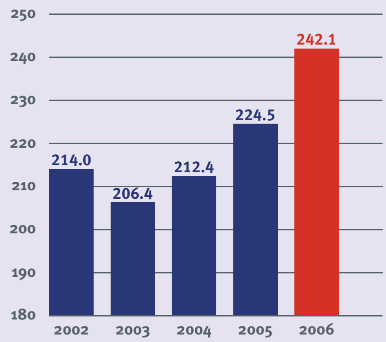
Maintenance revenue increased to € 123.8 million compared to € 119.8 million in 2005, an increase of 3.3%.

Service revenue increased 22.2% to € 46.9 million compared to € 38.4 million in 2005. Service revenue increased in all Strategic Groups as a result of the increased activities of Exact in the value business at the higher end of the mid market. Service revenue over 2006 comprised 19.4% of total revenue (2005: 17.1%).

EBIT

In 2006, the operating result (EBIT) increased by 12.6% to € 45.9 million, compared to € 40.8 million last year, due to operational leverage. This represents an EBIT margin of 19.0% compared to 18.2% in the prior year.

Total revenue
(in millions of euros)



Total operating expenses increased 6.8% to € 196.2 million (2005: € 183.7 million). Personnel expenses increased from € 110.1 million to € 122.5 million. Excluding acquisitions, personnel expenses increased 3.6%. Including the acquisitions of the second half of 2005, the average number of employees is the same. Marketing and sales expenses decreased by 14.5% from € 15.9 to € 13.6 million, due to a more efficient use of means. Total research and development (R&D) costs increased by 20% to € 18.0 million (2005: € 15.3 million).

Interest and tax

The total financial income in 2006 amounted to € 2.2 million, a decrease compared to the € 3.8 million in 2005. This is the result of a more conservative liquid assets investment strategy.

The tax expense in 2006 was € 13.7 million, compared to € 12.6 million in 2005. This resulted in a tax rate of 28.5% (2005: 28.2%).

Net income

Net income in 2006 attributable to shareholders amounted to € 34.1 million, representing an increase of 6.4% compared to the previous year (2005: € 32.0 million). Earnings per share increased by 6% to € 1.42 (2005: € 1.34).

Balance sheet, cash flow and dividend

Exact further strengthened its sound balance sheet with a net cash position increase of € 13.1 million to € 124.0 million (year-end 2005: € 110.8 million).

The average days sales outstanding increased from 63 in 2005 to 64 in 2006.

Amortization of intangible fixed assets increased from € 0.8 million to € 1.8 million, as a result of the amortization of the customer bases of the acquisitions made in 2005. Capital expenditures remained low at € 4.1 million.

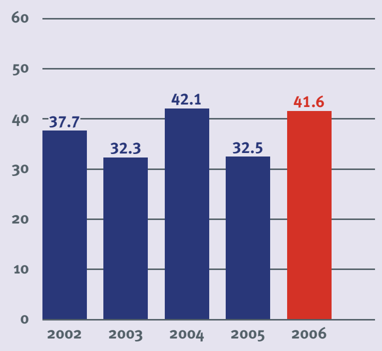
The operating cash flow increased 28.2% to € 41.6 million. The free cash flow was € 37 million. In line with the new dividend policy (see next paragraph), Exact proposes to the Annual General Meeting of Shareholders a dividend payout of 100% of net earnings.

Change in dividend policy

At the next Annual General Meeting of Shareholders, the Board of Managing Directors will propose a change in the current dividend policy, which is a payout of 50% of net income. The proposal will be to distribute 100% of net income for any year the Company does not execute any material acquisitions. The rationale behind this proposal is that the Company has continuously demonstrated strong and sustainable cash flow generation. The free cash flow generated in 2006 came in at € 37 million, leading to a cash position of € 127.8 million. After the payout of the proposed dividend, the Company will hold a cash position of € 93 million. With this cash position and its ungeared balance sheet, the Company has a sound investment capacity for acquisitions.

Operating result (EBIT)
(in millions of euros)

Operating cash flow
(in millions of euros)



HUMAN RESOURCES

Employees

Exact considers its skilled and qualified employees to be its most important resource. More than 60% of Exact's approximately 2600 employees are devoted to research & development, support, training, and consultancy. This mirrors Exact's commitment to provide its customers with state-of-the-art solutions around the world.

Exact believes in encouraging diversity and is convinced that a diverse employee base spurs creativity, collaboration and a passionate desire to fulfill customers' needs. Therefore, while Exact has its roots in the Netherlands, the Company's culture is not defined by one nationality. Exact's highly diverse and multicultural workforce represents no less than 50 nationalities working in more than 40 countries. Exact forms a global community that crosses all boundaries of culture and creed to achieve excellence.

The diversity of the Exact workforce is one of Exact's greatest strengths, creating a dynamic and inspirational environment in which men and women from many different nationalities and backgrounds join forces to achieve common goals.

Exact encourages fair employment practices worldwide and offers equal opportunities to all employees, regardless of their ethnic, cultural, religious, family, or other backgrounds.

At Exact, most people work in small, multidisciplinary, international teams. Cooperation, international outlook, entrepreneurial spirit, and individual initiative are encouraged. In fact, these qualities are seen as a prerequisite for success and for an employee's personal and professional development.

Value-based recruitment

Exact focuses a significant amount of attention on retaining its valuable employees and acquiring new talent. In order to attain the right people and to make sure they fit within Exact, the Company selects candidates based on its values. The first step in the recruitment process is matching the cultural fit from both the employee's and the employer's side. Candidates have 'speed interviews' with selected representatives from Exact, in which shared values are verified. These representatives have not seen the candidate's curriculum vitae and can only judge on the personality of the candidate. Only if there is a clear compatability, will the

Employee key figures	**2006**	2005	2004
Average number of employees	**2,644**	2,650	2,153
Number of employees at year-end	**2,591**	2,698	2,318
Revenue per employee (average, in euros)	**91,553**	84,728	98,650

skills-based procedure start. This initiative started in the Netherlands and was very successful. It will also be adopted outside the Netherlands during 2007.

The diversity of the Exact workforce is one of its greatest strengths, creating a dynamic and inspirational environment.

Exademy

Qualified and motivated employees are Exact's most valued resource. Exact, therefore, continuously invests in employees and provides them with the opportunity to further their development through training and development provided by Exademy, Exact's own corporate center of learning located at Exact's headquarter in Delft, the Netherlands, and local training facilities. All new employees follow a mandatory introduction, including training on Exact's strategy and Exact e-Synergy. Exademy furthermore provides training programs for all corporate product lines, from an introductory level to specific trainings for experts. The focus in 2007 will be to increase the insight and skills levels of Exact e-Synergy to support the realization of Exact's strategic goals. To facilitate the development of experts and managers within the organization, specific programs for talent and management development are provided.

Absenteeism due to illness and industrial disability

Exact's level of absenteeism due to illness is extremely low at under 2%. No employees left the organization in 2006 due to occupational disabilities.

Performance-related pay and reward

Exact's human resource strategy is founded on a commitment to creating an atmosphere of excellence in which employees are inspired and encouraged to achieve their full potential and to perform at the best of their ability. Employees are expected to demonstrate a positive and active attitude and the ambition to tap into their skills and opportunities. Performance appraisal is one of the human resources tools used to correlate an individual's contributions with the needs of the organization. Exact employs a performance appraisal system to measure and evaluate individual performance and to distribute rewards (financial or career development) based on the results of these evaluations. Exact offers all employees the opportunity to receive performance-related pay as an incentive to raise their productivity or as a reward for their contribution. The amount of variable payment in 2006 amounted to 16.0% of the total amount of wages compared to 14.9% in 2005.

INNOVATION, PRODUCT AND TECHNOLOGY

Innovation is the foundation and cornerstone of Exact and is a key factor in defining its long-term strategy and future direction. Exact has a strong development capacity in Kuala Lumpur, Malaysia and in 2006 opened innovation centers in Delft (Netherlands) and Silicon Valley (USA) to maintain the current cycle of innovation, research, and development. This is to ensure that Exact is always able to provide its customers with state-of-the-art solutions.

Exact believes that its Business Empowerment Software can help companies to boost their business, and Exact continuously researches the latest technology to reach this goal. This is reflected by the € 18.0 million that Exact spent on R&D in 2006, representing a 20% increase compared to previous year.

In the coming year, Exact will increasingly focus on further developing Exact e-Synergy, while continuing to update the traditional back-office solutions such as Exact Globe 2003, Exact Macola and Exact JobBOSS. Exact's SaaS (Software as a Service) offering, Exact Online, will continuingly be developed in order to maintain and strengthen Exact's market position in the lower end of the Benelux SMB Market as well as to enter new geographical markets.

In November 2006, release 370 of Exact e-Synergy and Exact Globe 2003 were launched globally. With this major release both Exact Globe 2003 and Exact e-Synergy gained functionalities that enable companies to optimally parameterize their software environment to their specific needs. Next to the flexibility and usability gain, this new release is geared towards business process improvement, particularly in the areas of HRM, CRM, reporting, and workflow management based on over 700 new features.

The technology upgrade of Exact e-Synergy to the most recent .NET platform was made during 2006. The connectivity of this major release with Exact's back-office products and the integration with Exact Business Analytics will be further optimized during 2007. The first half of 2007 will show the launch of Exact e-Synergy on the .NET platform. Continued strong focus in 2007 will be on substantially enriching functionality of Exact e-Synergy around market-driven themes. As a result of the increased focus on Exact e-Synergy, R&D resources will be redirected from other product lines.

After the successful launch of Exact Online in the Netherlands end 2005, the growth in number of customers in the Netherlands in 2006 has surpassed management expectations. In August 2006, PC Magazine recognized Exact Online as the best online accounting solution in the Netherlands. Exact Online was also launched in Belgium during 2006 and is already showing traction. With the acquisition of Solid Data – acquired at the beginning of 2007 – and its associated leveraging opportunities in Belgium, Exact Online will be a key driver for customer count growth in 2007.

The technology acquisitions made in the second half of 2005 have been successfully integrated into the core product offering in 2006:

- Exact Globe 2003 has been expanded with Pick-IT, the advanced barcode-scanning solution originally developed by Easy Access, which was acquired in October 2005. Now warehouse transactions can easily be processed with handheld terminals that synchronize with the inventory data in batches afterwards or real time using radio frequency.
- Exact Business Analytics – a result of the acquisition of Vanguard Solutions in November 2005 – has been adopted as part of Exact's corporate product offerings due to its leveraging capabilities, and will be rolled out globally in 2007 as part of the Exact e-Synergy offering and also be integrated with Exact Globe 2003.

As part of the Company's mid-to-long-term product and technology roadmap, Exact will continue to invest in local product lines to add functionality in order to drive customer retention and new business. Examples in 2006 are Exact JobBOSS and Exact Informatica, which have launched a new .NET version of their products.

The set-up of the two innovation centers to address future technology underlines, together with the appointment of a dedicated Product and Technology Board, Exact's increased focus on product development.

OUTLOOK

In 2007, close attention will be paid to establishing sound customer retention and intimacy while directing focus to Exact's key growth driver, Exact e-Synergy. This focus will ensure that Exact not only assists its customers with their administrative processes but also with solutions that empower them in boosting their businesses. In the past year Exact's products, its organization, and its distribution channel have made continued progress in becoming the leading Business Empowerment Software company in the SMB market.
The results of 2006 show that Exact has chosen the right direction and Exact is, therefore, confident that it will continue to execute its strategy diligently and see continued profitable growth in the coming years.

Exact gives guidance of organic license revenue growth of 6–8%.

Exact reiterates its guidance for 2007 of € 300 million revenue and at least 20% EBIT margin. This is subject to finding the right acquisition targets to facilitate its strategy in being a Business Empowerment Software provider. These acquisitions will be in line with its defined M&A strategy and be funded by using current cash availability and leverage on the balance sheet. Acquisitions may initially have a limited negative impact on EBIT margin due to the required amortization of acquired customer bases under IFRS. Excluding acquisitions, Exact gives guidance of organic license revenue growth of 6–8% and an EBIT margin of at least 20% for 2007.

We are prepared to make **decisions that count** – take us by our word!

Exact Netherlands

Key figures (in millions of euros)	**2006**	2005	2004
Revenue	**108.8**	99.7	95.5
EBIT*	**44.2**	39.7	43.4
EBIT margin	**40.7%**	39.8%	45.4%
# Employees (average)	**1,078**	1,135	833

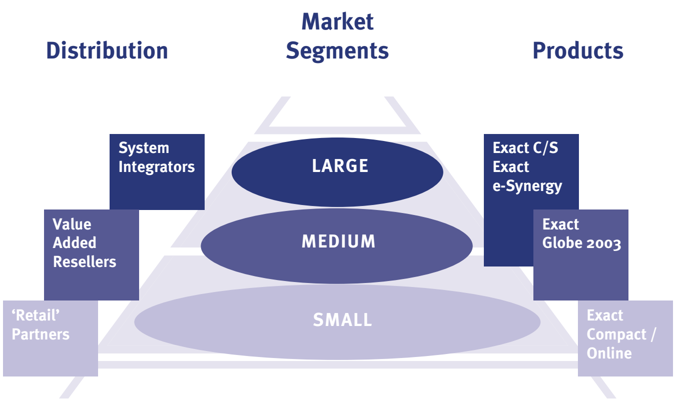
* The R&D costs for the corporate product lines and the holding costs are not included in the EBIT of the Strategic Groups.

PROFILE AND STRATEGY

In its home market, the Netherlands, Exact is the clear mid market leader in which it serves its large customer base in the traditional SMB market space, as well targeting the more value-driven higher end of the mid market. Exact operates based on an indirect distribution model with an extensive and highly loyal reseller network.

Exact has a strong foothold in the lower end of the SMB market space – which requires business software with simple functionality that is ready and easy to use – based on the easy to implement packaged software, Exact Compact. With the introduction of Exact Online – an accounting solution offered as a service via the internet (SaaS) – Exact has further increased its focus on the volume-driven lower end of the market. Enabling a more efficient collaboration between companies and their accountants, Exact Online further improves the strong foothold in the accountancy sector.

The traditional SMB market remains the largest market for Exact in the Netherlands. The large existing customer based, mainly served with Exact Globe 2003, is a solid foundation for an increasing market penetration of Exact e-Synergy, which enables our customers to fully integrate their front and back offices.



Increased attention is being paid to the higher end of the mid market, which requires solutions that enable mid-sized companies to automate and integrate business processes. Exact serves these companies with process oriented, industry-specific business templates based on Exact e-Synergy. To take the nature of their business and specific industry requirements into account, Exact is focusing on specific sectors including wholesale, manufacturing, retail, education, PSA (professional services area), rental and accountancy.

FINANCIAL RESULTS

The decisive action plan executed in the Netherlands since mid 2005 re-established growth in Exact's important home market and led to the following developments in revenue and operating margin:

- Total revenue growth of 9.1% to € 108.8 million (2005: € 99.7 million).
- Acquisitions added € 7.3 million in 2006, leading to an organic revenue growth of 1.7%.
- License revenue grew 13.4%, excluding acquisitions 5.7%.
- Due to further improved product quality, customer intimacy and strong license sales the negative trend in maintenance revenue has been reversed to show an increase of 1.4% organically for the full year.
- EBIT increased from € 39.7 million in 2005 to € 44.2 million in 2006.
- EBIT margin continued to improve to 40.7% in 2006 (2005: 39.8%), excluding acquisitions to 44.8% (2005: 42.1%).

OPERATIONAL DEVELOPMENTS

As of January 2006, Exact Netherlands has been transformed from a business unit structure with more than 25 business units into 9 divisions with dedicated general management and full profit and loss responsibility. The improved accountability and clear focus on defined market segments has lead to increased profitability and a more efficient market approach. The majority of the divisions focus on Exact's traditional SMB segment. Exact Enterprise, a separate division, focuses on the value-driven higher end of the mid market, reflecting the different requirements in terms of management, infrastructure, and market approach.

A significant amount of attention has been paid to restoring and improving Exact's strong position in its traditional SMB segment based on Exact Globe 2003 and Exact Compact 2003. As a result of increased product quality, renewed customer focus, and the strengthened relation with resellers, customer satisfaction and customer retention further improved.

In October 2006, Exact Software was elected 'Software Supplier of the Year' by the readers of the Netherlands' largest IT magazine, Computable.

In the second half of 2006, Exact launched the marketing initiative Business Made Easy to increase the demand of Exact e-Synergy, targeting the lower end of the mid market. Based on a predefined solution template focusing on the needs of smaller companies, Exact e-Synergy can be implemented in a very short time. The initiative was received very positively by the market and the strong interest indicates the potential demand for Exact e-Synergy from smaller companies.

The increased focus on the value-driven higher end of the mid market through Exact e-Synergy resulted in increased interest from larger companies. At PCM Publishers for example some 3600 staff members were given access to an Employee Self-Service Portal of Exact e-Synergy where they can access and process general and personal information in the field of Human Resource Management. Other examples of larger customers that chose Exact e-Synergy are Innovam, Freia, Arbo Unie, and KPN. This increased demand in the more consulting- intense higher end of the mid market led to a strong increase of service revenue.

Exact Online, which was commercially introduced in the Netherlands at the end of 2005, was recognized by PC Magazine as best online accounting solution. The quick adoption of Exact Online in the highly influential accountancy sector, its high quality and user-friendliness, and the combination of Exact Online with a reliable hosting partner like KPN were important reasons for the successful developments in 2006. The response from the market to Exact Online and the growth in number of customers exceeded Exact's expectations.

The backoffices of Kooijman and Exact Easy Access, acquired in the second half of 2005, were integrated and cost synergies were established. Exact Easy Access' core product, Pick-IT, has been integrated as standard functionality in Exact Globe 2003, which became available at the beginning of 2007.

In October 2006, Exact Software was elected 'Software Supplier of the Year' by the readers of the Netherlands' largest IT magazine Computable. This honor is an acknowledgement of Exact's focus on customer satisfaction, and the quality of its product and services.

OUTLOOK

In the lower end of the market Exact will continue its focus on customer retention in the large installed base and on gaining market share in the online accounting market with Exact Online. Due to relatively limited revenue contribution, the impact on total revenue will be limited in the near future.

In the traditional SMB market segment, the main focus will be on customer satisfaction and retention and a further penetration of Exact e-Synergy in the large installed base. The Business Made Easy marketing initiative has resulted in increased demand for Exact e-Synergy in this segment, which should materialize in further growth in 2007.

In the higher end of the mid market Exact will further increase its activities in selected industries based on Exact e-Synergy to continue the promising developments of last year.

Exact North America

Key figures (in millions of euros)	2006	2005	2004
Revenue	**59.6**	53.1	48.2
EBIT*	**9.3**	6.3	5.3
EBIT margin	**15.7%**	11.8%	11.0%
# Employees (average)	**441**	445	404

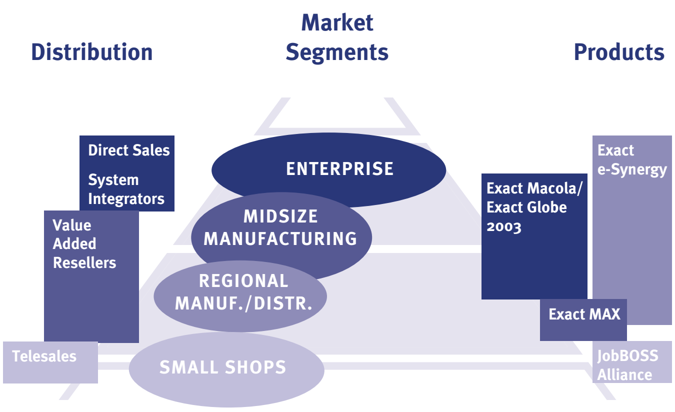
* The R&D costs for the corporate product lines and the holding costs are not included in the EBIT of the Strategic Groups.

PROFILE AND STRATEGY

Exact enjoys a leadership position in the North American mid-sized enterprise market, with a strong foothold in the distribution as well as discrete- and process-manufacturing sectors. Exact also holds the leadership position in the build-to-order manufacturing solutions market.

The additional offering of corporate product lines like Exact Globe 2003 and Exact e-Synergy enables an expansion into additional sectors and the higher end of the mid market. These new offerings have enabled Exact to enlist customers who are international in scope, as well as more service-oriented business sectors in this region.

Exact North America uses a multi-channel sales and marketing strategy and currently has eighteen regional and divisional Exact offices in the U.S.A. and Canada. More than 80 channel partner sites are geographically distributed to complement Exact North America's direct regional presence across the continent. This extended network, in partnership with Exact worldwide, provides Exact with both local touch and global reach as a competitive advantage.



The current manufacturing customer base continues to expand its adoption of Exact solutions, focusing on extending the value of their back-office products with Exact e-Synergy, Exact Warehousing, Exact Event Manager and Exact Business Analytics.

Exact North America is ideally positioned to benefit from both a solid ERP customer base and a growing segment of new prospects in service industries needing end-to-end, integrated solutions.

FINANCIAL RESULTS

A strong focus on operational improvements in the North American operation resulted in sound financial achievements:

- Total revenue grew by 12.2% to € 59.6 million (2005: € 53.1 million). Excluding acquisitions total revenue grew by 2.6% to € 54.5 million (2005: € 53.1 million).
- At constant currencies total revenue grew by 13.4% and organically by 3.8%.
- Inspired Solutions was fully integrated and contributed to a services growth of 27.6%.
- Continued focus on profitability improvement in North America led to an EBIT increase of 48% from € 6.3 million to € 9.3 million, representing an EBIT margin of 15.7% (2005: 11.8%).

OPERATIONAL DEVELOPMENTS

In 2006, Exact North America showed solid operational and financial achievements in a highly competitive environment with a strong focus on increasing EBIT.

Sales of Exact e-Synergy gained momentum, especially combined with Exact Macola ES or Exact Globe 2003. Several major contract wins in North America that all include Exact e-Synergy in combination with Exact Globe 2003 or Exact Macola are: Ontario Power Authority, Baker Drywall, Veritas Tools Inc., and Short Bark Industries. Exact Macola ES showed healthy growth as more users of Exact Macola Progression are migrating to this newer product. Exact JobBOSS continued to perform well, through add-on sales as well as through new license sales.

Exact North America's competitive position was successfully strengthened with the acquisition of Vanguard Solutions Group at the end of 2005, leading to a new regional office in Chicago. Vanguard provides world-class solutions in business analytics. In 2006 the Vanguard technology, relabeled Exact Business Analytics, has been successfully integrated into Exact Macola and Exact e-Synergy. In its first full year of operations as an Exact division, Vanguard yielded a positive effect on revenues.

The Vanguard product is being integrated into all Exact corporate products as Exact Business Analytics, and will be offered to companies globally by other Exact Strategic Groups as well.

Exact North America's distribution strength increased in 2006 via its direct and indirect sales channels, and as a result of the acquisition of Inspired Solutions at the end of 2005. The acquisition of Modulair Easy Access and its logistic software products in the Netherlands has also served as reinforcement of Exact's presence and position in North America.

Sales of Exact e-Synergy gained momentum, especially in combination with Exact Macola ES or Exact Globe 2003.

OUTLOOK

While sales of Exact e-Synergy combined with Exact's back-office products are gaining traction, new releases of Exact e-Synergy on the .NET platform, as well as other added functionalities, should further strengthen stand-alone sales in the future. The ERP products of Exact North America will have market differentiation and value proposition with the integration of Exact Business Analytics. Exact JobBOSS will continue its successful telesales and marketing model.

Exact International Markets

Key figures (in millions of euros)	**2006**	2005	2004
Revenue	**73.7**	71.7	68.7
EBIT*	**11.0**	8.8	13.1
EBIT margin	**14.9%**	12.4%	19.1%
# Employees (average)	**1,111**	1,070	916

* The R&D costs for the corporate product lines and the holding costs are not included in the EBIT of the Strategic Groups.

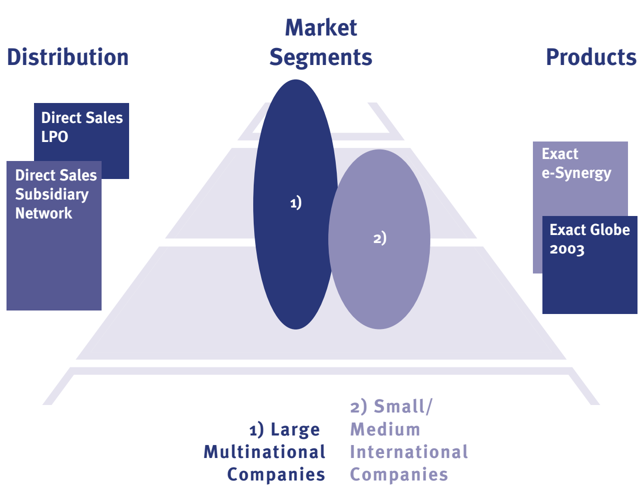
PROFILE AND STRATEGY

Exact International Markets consists of the Strategic Groups **Exact International** and **Exact Other National Markets.**

Exact International

Exact International supports multinational organizations to establish a 2nd-tier ERP solution for smaller subsidiaries – as a complement to their 1st-tier solution for large operations. Next to that it enables small to medium-sized international organizations to deploy a single-tier ERP solution across all affiliates by creating enterprise-wide integration and real-time information. Exact International's solutions provide its customers with maximum standardization and uniform and rapid implementation worldwide.

The solutions of Exact International are specifically designed for small to medium-sized subsidiaries of international companies. These solutions are Exact Globe 2003 and Exact e-Synergy, both available as stand-alone and full-suite solutions. As a full-suite solution, Exact International offers both traditional ERP and related software solutions, which integrate and support every business process via one software solution enabling real-time enterprise resource planning.



Exact's solutions are internationally available directly from and supported by a network of more than 40 wholly owned subsidiaries covering Europe, the Middle East, Africa, Asia and the Americas. This powerfully combines one global standard product with the localization necessary to allow worldwide integration.

Exact's service infrastructure is optimized for and committed to international organizations. Central and local services provide the appropriate support both at headquarters and subsidiary level. Uniform and coordinated services at the local level guarantee both lower cost of ownership and high acceptance throughout the international business network, without losing the global security of one strong international partner.

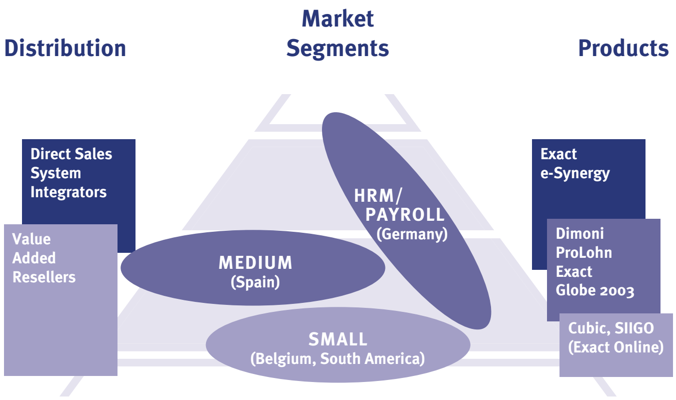
Exact Other National Markets

As a market consolidator in the ERP industry, Exact has acquired local leading brands in several countries, with sizeable customer bases organized in the Strategic Group Exact Other National Markets.

Exact currently maintains and grows substantial SMB customer bases in Belgium and South America, targeting on the lower end of the mid market. In Germany and Spain there is an increasing focus on targeting the higher end of the mid market.

Spain

Exact has been one of the leading ERP software providers in the Spanish mid market since the acquisition of Dimoni Software S.A. in March 2000. Exact has a strong focus on small and medium-sized businesses at the lower end of the mid market with its product line Dimoni via a partner channel.



Germany

Exact enjoys a leadership position in the German business software mid market with a strong foothold in the payroll solution area. Next to maintaining a commitment to its traditional payroll and horizontal ERP applications for the SMB market, Exact is gradually expanding further into the solution-driven, higher end of the mid market around its local payroll and Exact e-Synergy-based HRM solution. As this requires a different level of professional services as well as business process and industry know-how, the solutions are provided either directly or via highly qualified partners who leverage Exact's expertise to provide local service and support.

Belgium

Exact has been one of the leading business software providers in the Belgian mid market since the acquisition of Cubic in 1994. Exact has a strong focus on small and medium-sized businesses at the lower end of the mid market with its product line Cubic Pro via a partner channel.

Colombia

Exact has the clear market leader in the Colombian business software mid market since the acquisition of Informatica & Gestion in 1998. With currently 10 regional offices in Colombia and subsidiaries in Peru and Ecuador, Exact has a strong focus on small and medium-sized businesses. Next to the traditional horizontal business Exact is increasingly focusing on a number of vertical industries based on the local product line SIIGO in conjunction with Exact e-Synergy.

FINANCIAL RESULTS

All but one of the subsidiaries of Exact International Markets showed growth in 2006. Overall results where negatively impacted by the disappointing performance of the German operations of Exact Other National Markets:

- Exact International Markets showed a total revenue growth of 2.9%, from € 71.7 million to € 73.7 million.
- Exact International showed a revenue increase of 6.8% while Exact Other National Markets reported a revenue decrease of 2.2%.
- The organic revenue growth was 0.8%, with acquisitions adding € 1.5 million to total revenue, and foreign exchange rates having a negative effect of € 0.2 million.
- The service revenue grew strongly by 20%.
- EBIT increased 25% to € 11.0 million (2005: € 8.8 million), representing an EBIT margin of 14.9%.
- As a result of the sound transition over the last three years and a directed investment in 2005, Exact International nearly doubled its EBIT margin in 2006.

OPERATIONAL DEVELOPMENTS

Exact International

Targeting international organizations and the divisions of large multinationals globally, Exact International is becoming a true project-driven organization. It continued to see strong service revenue growth throughout the past year.

Major contract wins for Exact International in 2006 included SIRAP-GEMA in Italy, which will run Exact's business software in 13 countries, and Krauthammer in Switzerland, which will run Exact solutions in 15 of its subsidiaries.

In addition to selling the full-suite solution of Exact Globe 2003 and Exact e-Synergy, Exact International also started to sell Exact e-Synergy as a stand-alone solution to take advantage of Exact's unique proposition for the mid market with its Business Empowerment Software. By using the Business Empowerment Software of Exact international companies can extend the lifecycle of their current back-office solution.

Exact Other National Markets

In 2006, Spain successfully integrated the business partners acquired in October 2005 and again showed healthy organic growth. In addition, Spain generated 38% of its revenue in 2006 from Exact e-Synergy, demonstrating strong leveraging of the customer base and being a role model within the Exact organization of adopting Exact e-Synergy.

Belgium was going through a transition in 2006 to return its focus to its core markets. New management has been established. Just after the closing of the year Exact acquired Solid Data NV/SA (Solid Data), a local Belgian software vendor, thereby establishing Exact as the leading accounting software vendor in the Belgian SMB market. The combined customer base offers Exact excellent cross-selling opportunities to leverage the corporate products Exact Online and Exact e-Synergy. In Belgium, all of Exact's operations will be merged to ensure full leverage capability of Exact Online and Exact e-Synergy.

Colombia has achieved strong revenue growth, fueled by a new .NET release of its flagship product SIIGO and continued leverage of the installed base with Exact e-Synergy.

Germany showed a disappointing FY 2006 with declining revenue. Rapid action and decisive measures were taken during the second half of 2006 including a management change. Germany will resume growth again in 2007 by focusing on HRM solutions and leveraging its strong foothold in the German payroll market.

OUTLOOK

In 2007, Exact International will continue to focus on its parenting strategy with increased attention for headquarter-rich countries. The efforts by product development to further localize the corporate product lines will enable the optimal use of Exact's unique proposition on the targeted markets.

The decisive measures taken in Germany, the increased focus on Exact e-Synergy, the achieved turnaround in Belgium, and the continued growth of Colombia and Spain will result in Exact Other National Markets contributing to overall growth of Exact International Markets in 2007.

Spain generated 38% of its revenue in 2006 from Exact e-Synergy, demonstrating strong leveraging of the customer base.

We appreciate a **reliable partnership** based on true interest and respect.

EXACT EMPOWERS UNIVERSITY MEDICAL CENTER GRONINGEN, NETHERLANDS

Corporate sustainability and social responsibility

Corporate sustainability is an integral part of Exact's strategy, day-to-day business operations, and management decisions. The core objective is to ensure that Exact remains a profitable, growing and sustainable company that produces benefits for all its stakeholders. In order to achieve this objective, Exact is committed to achieving an optimum balance between people, technology, and profits.

Exact closely monitors local, national, and international developments with a view to ensuring optimum and lasting corporate sustainability.

SOCIAL AND HUMAN RESOURCE STRATEGY

Exact considers its employees to be its most important resource and the driving force behind achieving Exact's objectives. Exact's human resource strategy reflects the Company's commitment to creating an environment in which every employee is inspired to achieve personal and professional growth. Employees are encouraged to have a positive and active attitude and the ambition to use their talents and skills to the fullest, and to seize opportunities as they arise.

To this end, Exact has established a range of programs aimed at recruiting, retaining, and developing talented employees and at creating an efficient and streamlined working organization. Qualified and motivated employees are Exact's most valued resource. Exact, therefore, continuously invests in employees and provides them with the opportunity to further their development through the training and education provided by Exademy, Exact's own corporate center of learning located in Exact's headquarter in Delft, the Netherlands.
In 2006 Exact introduced value-based recruiting in order to attract and retain people that fit the Exact culture, feel good about working at Exact and therefore are likely to stay with the Company longer.

WHISTLEBLOWER POLICY

Effective corporate governance demands that all of Exact's employees adhere to the highest standards of ethical, moral, and legal business principles and practices. In order to add substance to this aim, Exact introduced the Whistleblower Policy. This policy enables and encourages employees to immediately report any (suspected) breach of any law, regulation, or other internal policy or guidelines and to voice any concerns they might have regarding questionable accounting, controls, or auditing. This policy also defines and safeguards the manner in which Exact addresses concerns reported by its employees.

HEALTH/WORKING CONDITIONS

Exact fully accepts its responsibility for the safety, health, and welfare of its employees. To this end, Exact has established an active policy to ensure safe working conditions and to prevent disabilities. This policy is in line with the prevailing legal obligations resulting from the safety and work legislation in the countries in which it operates.

ENVIRONMENTAL POLICY

Exact fully acknowledges its responsibilities as a member of the international corporate community. As a software company, Exact's operations have only minimal effect on the environment. Nonetheless, Exact continuously seeks to reduce any negative impact on the environment.

Share and shareholder information

INVESTOR RELATIONS

Exact places paramount importance on excellent, reliable, and open communications with its existing and potential shareholders, (institutional) investors, financial analysts, and the media. The key objective is to provide transparency, openness, and full disclosure regarding the Company, the business, its financial status, and performance.

SHARES AND CAPITAL

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. As of December 31, 2006, the total number of issued shares was 24,400,405 (including registered shares). Exact is the holder of 368,061 shares of its own capital.

The shares of Exact are listed on Eurolist by Euronext Amsterdam. Exact is included in the Amsterdam Small cap index (AScX), with a weighting factor of approximately 1.9% of the index. Based on the closing price of Exact's share on December 31, 2006, the Company has a market capitalization of € 587 million.

Share data	2006	2005
Information per share		
(fully diluted, in euros)		
Operating income	**1.91**	1.71
Net income	**1.42**	1.34
Operating cash flow	**1.73**	1.36
Dividend	**1.42**	1.00
Shareholders' equity at year-end	**7.60**	7.42
Share price		
High	**28.67**	28.25
Low	**22.04**	21.35
Year-end	**24.48**	23.82
Average daily volume	**43,232**	53,225
Average number of shares outstanding (thousands)		
Basic	**24,032**	23,867
Diluted	**24,035**	23,870
Issued	**24,400**	24,400
Outstanding shares	**24,032**	24,032
Treasury stock	**368**	368

Share price movement 2002–2006

DIVIDEND POLICY

Dividend policy 2006

In view of the continually positive cash flow and liquidity position and taking into account the expected growth and acquisition strategy, the dividend policy of Exact is based on annual payment of a dividend of a minimum of € 0.75 per share. This policy stipulates the condition that the dividend of minimal € 0.75 per share will only be distributed if the aggregate amount of the dividends does not exceed half of the net income before amortization. Exact's liquidity position, acquisition and investment plans, and the economic circumstances are among the criteria according to which the dividend policy will be evaluated every year.

New dividend policy

The Board of Managing Directors has, after approval of the Supervisory Board, decided on a new profit appropriation policy for 2007 and coming years, which consists of a free disposal of the whole net income in a year for Exact's shareholders. The dividend policy has been adjusted according: 100% of the net income will be distributed if, in the year the net income was realized, no material acquisitions have been done. This new policy on additions to reserves and on dividend will be explained and accounted for at the 2007 Annual General Meeting of Shareholders.

In accordance with this new dividend policy a proposal will be submitted to the Annual General Meeting of Shareholders to distribute a dividend of € 1.42 per share over the financial year 2006 (as no material acquisitions were done in 2006).

DISCLOSURE OBLIGATION FOR MAJOR SHAREHOLDERS

Pursuant to the Act on the Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Wmz 2006), legal and natural persons who achieve a capital interest and/or voting rights of 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95% by acquiring or transferring securities in a listed limited liability company, or whose capital or interest exceeds or falls below such levels, are required to disclose this to the Dutch Authority for Financial Markets (AFM).

Shareholders holding directly or indirectly more than 5% of the listed shares as known by the Company at December 31, 2006:

A.R. van Nieuwland	15.7%
E. Hagens	14.9%
M.J. Dekker	13.9%
Aviva plc	7.5%
Delta Deelnemingenfonds	5.3%

FINANCIAL CALENDAR 2007

Annual General Meeting of Shareholders	April 25, 2007
Ex-dividend date	April 27, 2007
Record date	May 2, 2007
Dividend available for payment	May 14, 2007
Publication Half Year Results 2007	July 26, 2007

MORE INFORMATION

For all relevant and up-to-date information, including an interactive version of this annual report, please visit the investor relations section of Exact's corporate website (www.exactsoftware.com).

Investors can direct their questions to:

e-mail: ir@exactsoftware.com
Tel: +31 (0) 15 750 12 18

We value our people and continually **invest** in their **talents** and **skills**.

EXACT EMPOWERS KRAUTHAMMER INTERNATIONAL, TRAINING AND COACHING

Risk management

GENERAL

Exact's Board of Managing Directors is responsible for the design and operation of the Company's risk management and internal control systems. The purpose of these systems is to enable the company to adequately manage the significant risks to which the Comany is exposed.

Exact uses its own software (Exact Globe 2003 and Exact e-Synergy) at virtually all of its worldwide subsidiaries. This software enables management to monitor and authorize all operational, financial, legal, and human resource-related transactions from its employees on a real-time basis from anywhere in the world. In addition to quantitative information, Exact e-Synergy also provides qualitative management information related to the development of the prospect portfolio and the planning/capacity usage of the consultants.

Furthermore Exact has structured its risk management and control systems in such a way that:

- Every Strategic Group and business unit has sufficient insight into its market position, and clarity about strategy and financial/operational goals to be achieved.
- Reliable and timely information is obtained about the state of affairs in the different Strategic Groups and business units.
- The assets and resources of the Company are properly managed.
- Sufficient control information (performance indicators) is obtained 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 Strategic Group controllers and financial group management.
- Exact obtains early insight into the quality, availability and development needs of (key) staff members.
- On a regular basis Exact performs company-wide risk management surveys. Also in 2006 Exact conducted such a survey, covering 80% of the activities of the Company.

We have developed guidelines and procedures for financial reporting, budgeting and planning process, risk management, treasury, and human resource management. These guidelines and procedures are periodically reviewed and revised when necessary. We train our employees to implement and comply with these guidelines and procedures.

The financial statements of Exact and its subsidiaries are audited regularly by external auditors on the basis of 'International Standards on Auditing'. The external auditor periodically reports and discusses its findings with the Audit Committee and Supervisory Board.

KEY RISKS

The key risk areas of Exact as well as their related controls are outlined below.

Strategic risks

Business climate

Exact's revenue is derived from the sale of licenses, maintenance contracts, and services. The business climate and the related willingness to invest have an immediate impact on the number of new licenses and the related maintenance contracts and services. The revenues from maintenance contracts are recurring and much less susceptible to the business climate. At present some 52% of the total turnover comes from maintenance contracts, which makes Exact less vulnerable to business climate changes.

Competitive position

Exact operates in a consolidating industry with several larger competitors. The competitive position of Exact depends on its ability to develop and market distinctive products. It is vital to be successful, otherwise Exact could lose market share, which would in turn result in declining revenues over time.

Exact consequently concentrates on a number of products that it has developed itself. Ease of implementation, connectivity, low total cost of ownership, and reliability are key drivers.

Concentration risk

A balanced spread of turnover and profit from various countries and markets is important to avoid being too dependent on certain countries or markets. Exact generates a significant part of its revenues in the Netherlands. Consequently, issues that negatively impact Exact's reputation in the Netherlands could have a material impact on its overall revenues. Strict quality control measures and customer service programs have been implemented to mitigate this risk. Furthermore it is Exact's strategy to grow in other geographical markets.

Acquisitions

The growth that Exact wants to achieve partly depends on acquisitions. In general, acquisitions involve greater risk than organic growth. Exact is endeavoring to minimize these risks as far as possible through careful selection of candidates and through detailed analysis and evaluation during the acquisition process. Acquisitions will only be done in line with Exact's stated acquisition policy and should provide leverage for Exact's core products, Exact e-Synergy and Exact Online.

Operational risks

Product development

As a software company, Exact's future lies with its ability to continue developing world-class software. To align its products better to the needs of its customers, future market opportunities, and opportunities in terms of functionality or technology, Exact has appointed a dedicated Product and Technology Board. Exact has also improved its development process. Organizationally it has split the technical and functional designs. This will result in more transparent design documents, causing fewer misinterpretations during the development stage. Furthermore Exact has improved its testing procedure by introducing quality reviews after each development phase.

Human resources

While delivering (software) solutions for its customers is Exact's central objective, the Company recognizes that the employees are Exact's most valuable resource. Loss of key employees can significantly impact performance. Exact provides a broad training program and excellent career opportunities in order to retain employees.

Customer satisfaction

Customers do not just want software; they are expecting a business solution. Realizing the expected solution is the key to customer satisfaction. Risk of inability to realize anticipated solutions might result in loss of future orders and non-payment. To mitigate this risk, Exact uses a standard implementation methodology.

Financial risks

Currency risk

Exact's financial statements are in euros. Exact, however, operates with subsidiaries throughout the world. This causes the Company to be subject to fluctuations between the reporting currency and the different functional currencies of the various non-euro subsidiaries. An important part of Exact's result is realized in US dollars. If deemed necessary, Exact uses financial instruments to protect its results and equity as much as possible. A change of € 0.01 in the euro to the dollar exchange rate has an effect of approximately € 0.8 million on total revenue.

Tax risk

Exact is subject to a periodic tax audit conducted by the Dutch tax authorities. The audit focuses on Exact's corporate income tax returns relating to the years 2001 – 2005.

As an international group, Exact has significant cross-border transactions. As a result of more and complex transfer price legislation, there is a chance that Exact is not always operating in line with local legislation. Exact believes that current provisions adequately cover any exposure.

Financing

Exact has a strong balance sheet and freely available cash resources in excess of approximately € 127 million. This strong balance sheet, coupled with the historically strong operating cash flows, means that Exact currently has no financing risk.

Litigation risks

Exact is involved in a number of legal proceedings. If judgment is made against Exact in some of these cases, Exact could be required to pay a substantial sum or incur considerable expenses. Although we believe we have sound legal grounds to defeat all these claims, we have established adequate provisions to cover any future exposure.

Please note that this overview of risk factors is not exhaustive and Exact may be subject to significant other risks the Company has not yet identified, or that have been assessed as not having a potential significant impact on the business, but which at a later stage could materialize as such.

Management review

The internal risk management and control systems are regularly discussed by the Board of Managing Directors with the Audit Committee and the Supervisory Board. In evaluating its risk management and control systems, Exact uses the COSO Enterprise Risk Management Framework as a reference.

The Board of Managing Directors believes that the Company's internal risk management and control system provide reasonable assurance that:

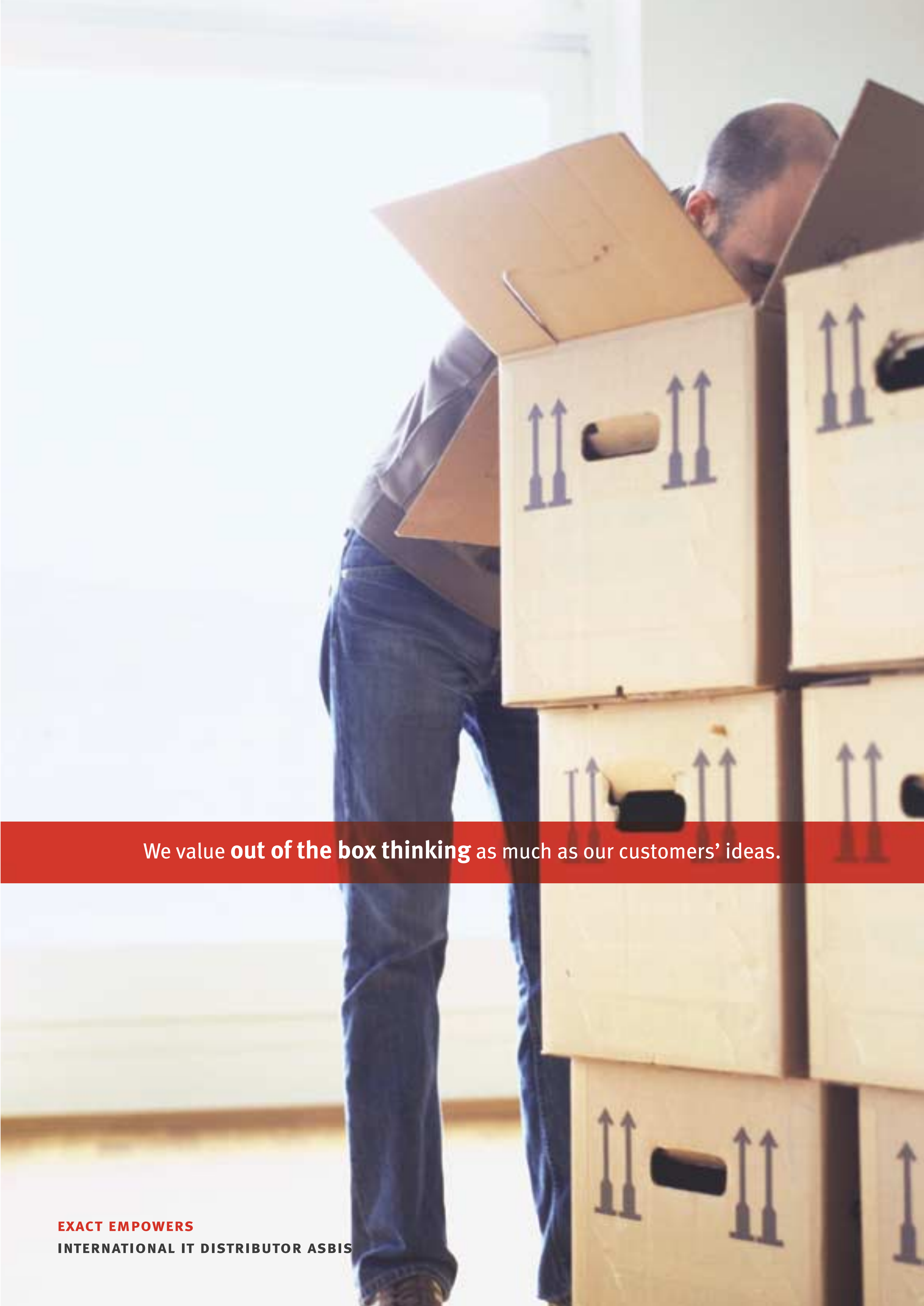
- there is an overview of the extent to which Exact's strategic and operational objectives are being achieved;
- Exact's internal and external (financial) reporting is reliable;
- Exact complies with the applicable laws and regulations.

There are no indications that the Company's risk management and internal control systems will not work properly in the current year.

It is important to note that the proper design and implementation of a risk management and internal control system significantly reduce but cannot fully eliminate the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management-overriding controls, and 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 conduct 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 affairs in 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 the Company's standing policies, procedures and instructions may deteriorate.

The strong balance sheet coupled with the historically strong operating cash flow, means that Exact currently has no financing risk.



We value **out of the box thinking** as much as our customers' ideas.

EXACT EMPOWERS

INTERNATIONAL IT DISTRIBUTOR ASBIS

Corporate governance

The Company acknowledges that good corporate governance is in the best interest of the Company and all its stakeholders. The commitment of the Company to adhere to the present-day principles of corporate governance was therefore maintained in 2006.

The Company's compliance with the Dutch Corporate Governance Code was approved by the Annual General Meeting of Shareholders held on April 7, 2005 and was discussed again at the Extraordinary General Meeting of Shareholders held on June 30, 2005. Any material amendment to the Company's corporate governance structure will be submitted to the General Meeting of Shareholders. No such amendment was implemented in 2006, neither is it expected in 2007.

The Company's Articles of Association were amended in 2005. An outline of the content of the amended Articles of Association may be found in the Corporate Governance chapter in the Annual Report 2005.

The Company's website, www.exactsoftware.com, contains the information and documentation as prescribed in the Dutch Corporate Governance Code.

The Members of the Supervisory Board

Erik van de Merwe (Chairman)

Date of birth: December 30, 1950
Profession: independent advisor
Formerly: Chairman of the Board of Managing Directors of Fortis Bank Nederland and MeesPierson
Nationality: Dutch
Date of initial appointment: January 25, 2005
Current term of office: 4 years

Other positions:

- Chairman of the Supervisory Board of PCM Holding B.V.
- Chairman of the Supervisory Board of Fornix BioSciences N.V.
- Chairman of the Supervisory Board of GWK-Bank N.V.
- Chairman of the Supervisory Board of Achmea Bank Holding N.V.
- Member of the Supervisory Board of Eureko B.V.
- Chairman of the Supervisory Board of Staal Bankiers N.V.
- Chairman of the Supervisory Board of Nova Chemicals N.V.
- Chairman of the Supervisory Board of Royal Schouten Group N.V.
- Member of the Supervisory Board of Mizuho Corporate Bank (Netherlands) N.V.
- Member of the Sijthoff jury (the prize for the best annual report by a listed company in the Netherlands)

Hans de Boer

Date of birth: January 17, 1955
Profession: entrepreneur and independent advisor
Formerly: Chairman of Koninklijke Vereniging MKB-Nederland, partner of KPMG Bureau voor Economische Argumentatie
Nationality: Dutch
Date of initial appointment: January 25, 2005
Current term of office: 4 years

Other positions:

- Chairman of the Supervisory Board of Meerlanden N.V.
- Chairman of the Supervisory Board of ARBONED N.V.
- Chairman of Innovation Platform United Services Group N.V.
- Chairman of the Supervisory Board of Sperwer Groep
- Member of the Supervisory Board of Vroegop & Ruhe B.V.
- Member of the Advisory Board of LSI Project Investment N.V.
- Member of the Supervisory Board of USUS B.V.
- Member of the Supervisory Board of UWV
- Member of the Advisory Council Zorgverzekeraars Nederland
- Member of various ministerial committees and governmental task forces

Rob Bonnier

Date of birth: May 3, 1943
Profession: independent advisor
Formerly: CFO of KNP BT
Nationality: Dutch
Date of initial appointment: January 25, 2005
Current term of office: 4 years

Other positions:

- Chairman of the Supervisory Board of Orange Fund N.V., Orange Largecap Fund N.V., Orange Deelnemingen Fund N.V.
- Chairman of the Supervisory Board of DSB Bank N.V., DSB Schade N.V., DSB Leven N.V.
- Chairman of the Supervisory Board of Orange Fund N.V., Orange Oranje Participaties N.V., Orange European High Dividend Fund N.V., Orange European Largecap Fund N.V., Orange European Midcap Fund N.V., and Orange European Smallcap Fund N.V.
- Member of the Supervisory Board of CRV Holding B.V.
- Member of the Supervisory Board of Ontwikkelingsmaatschappij Oost Nederland N.V.
- Member of the Board of the Stichting Continuïteit Numico
- Member of the Board of Foundation for Management of Preferred Shares in Wolters Kluwer N.V.
- Member of the Board of Stichting Van der Moolen Holding

All members of the Supervisory Board perform their duties independently and not as a representative of any group or organization, and as such, each member is independent within the meaning of the best practice provision of the Dutch Corporate Governance Code.

Report of the Supervisory Board

GENERAL

2006 was the first full year under the present Managing Directors. Throughout the year they have maintained the direction chosen immediately following their appointment. Key priorities were to further execute the decisive action plan in the Dutch home market, to continue the focus on profitability in North America, and to increase focus on Exact e-Synergy sales. These and other management focuses have resulted in solid financial results for 2006. In view of the results and other decisive actions taken by the Managing Directors, the Supervisory Board has again concluded that they, the Managing Directors, have chosen the right direction. Given that the senior management structure also has been strengthened this year, we are confident that there is a sound foundation for profitable growth in the coming years.

In assessing the organizational challenges, the Board of Managing Directors has not only strengthened the senior management layer in 2006, but also aligned and enhanced the corporate infrastructure and strategy in conjunction with the Supervisory Board. Part of that enhancement process consisted of the creation of a product and technology roadmap as a follow-up to previous development plans. This led in the second half of the year to the introduction of a Product and Technology Board. Besides enhancing the development organization, corporate roadmaps were also determined for Human Resource Management and M&A. The Supervisory Board expects that these and other roadmaps will be further implemented and executed in 2007, enabling the organization to better facilitate the execution towards strategic goals, such as customer retention and organic growth.

The Supervisory Board was very pleased to see a marked revenue growth and a significant EBIT increase in 2006. The operating cash flow continued to grow and the free cash flow came in at € 37 million, leading to a cash position of € 127.8 million. With this the Company has clearly demonstrated that it generates a continuously strong and sustainable cash flow. This has led to the review and modification of the current dividend and reservation policy. The Supervisory Board has approved the modification to distribute 100% of the net income for any year that the Company did not execute any material acquisitions. This modification will be explained and accounted for at the Annual General Meeting of Shareholders. In line with this modified policy the Board of Managing Directors will propose that the AGM adopt a dividend payout of € 1.42 per share in 2007.

ACTIVITIES

Next to the usual topics, such as the financial reporting process and the financial results in relation to the budget, forecast and guidance, the Supervisory Board paid specific attention in 2006 to the corporate infrastructure and the strategy of the Company. We also reviewed the development of the Strategic Groups in more detail, as well as the business and organizational developments of certain divisions, including the payroll division in Germany. With regard to the corporate infrastructure and company strategy, plans and roadmaps were presented in detail to us and were agreed upon between the Supervisory Board and Board of Managing Directors.

We are confident that there is a sound foundation for profitable growth in the coming years.

The conclusions with regard to the risk management of the Company can be found in the related section of this Annual Report.

These and other topics were addressed in frequently held meetings with the Board of Managing Directors, during most of which the Supervisory Board was given a general update on the Company's business and organization. Without the presence of the Board of Managing Directors, the members of the Supervisory Board discussed their own collective and individual functioning, as well as the functioning of the Board of Managing Directors and its individuals.

On a separate note, we report that during the last months of 2006 the Supervisory Board reviewed and discussed with the Board of Managing Directors the intention to acquire the Belgian companies Solid Data N.V. and Solid Automation N.V. The structure of the transaction was also discussed.

The Supervisory Board will in 2007 assess the remuneration of the Managing Directors in comparison to several external factors, with the goal to maintain an overall and competitive remuneration package.

Specific involvement of the Supervisory Board was required in the period when the CFO left the Company. The situation was thoroughly reviewed and we came to the conclusion that a sound financial backbone, including a Tax Manager, an Investor Relations Manager and a Treasury Manager, under the supervision of an experienced Financial Director, was in place. Based on that, both the Board of Managing Directors and the Supervisory Board were confident that continuity was ensured and immediate replacement was not required.

Apart from the topics mentioned before, the Supervisory Board addressed and decided on the topics that were reported by its committees. Those topics have been included in the committee sections of this chapter.

AUDIT COMMITTEE

The Audit Committee held three meetings in 2006, during which mainly the financial results, the Annual Report 2005 and the audit by the Company's accountants and their conclusions were addressed. At each meeting of the Audit Committee the current tax issues were reported on and discussed, as well as typical accountancy rules implementation. Other topics that were addressed were the treasury and the accounts receivable.

REMUNERATION COMMITTEE

The Remuneration Committee held two meetings: one in the beginning and one at the end of 2006. This committee determined the final variable income of the Managing Directors for 2005 on the basis of the quantitative and qualitative criteria included in the Short Term Incentive Plans. It also determined the criteria for the variable remuneration of the Managing Directors for 2006 and evaluated the situation for 2007.

Leading in the remuneration conclusions and decisions was the Remuneration Policy, as adopted by the Annual General Meeting of Shareholders on June 30, 2005. This policy has not been changed since then and can be found on the corporate website of the Company. The 2006 remuneration amounts for the members of the Board of Managing Directors and the Supervisory Board are included in the Financial Statements of this Annual Report.

Remuneration Report

The Remuneration Policy of the Company, as adopted on June 30, 2005, was put in place as a long-term guideline. The Remuneration Policy was again put into practice in 2006. The fixed salaries for the Managing Directors in 2006 were the same as in 2005, as were the percentual ratios of the variable salaries. The long-term remuneration for the period 2006–2008, has been annualized, which has led to a general ratio of 56% fixed and 44% variable remuneration for the Managing Directors for 2006. The actual fixed and variable salary amounts are included in the Financial Statements in this Annual Report.

In 2007 the Supervisory Board will assess the remuneration of the Managing Directors in comparison with several external factors, with the goal to maintain an overall and competitive remuneration package for present and future members of the Board of Managing Directors. The assessment will also include a peer group review. Although the expectations are that this will not lead to an adjustment of the Remuneration Policy itself, any such adjustment will be submitted to the Annual General Meeting of Shareholders for adoption.

SELECTION AND NOMINATION COMMITTEE

The Selection and Nomination Committee did not convene a meeting in 2006, as the topics for this committee were addressed by the Supervisory Board.

CORPORATE GOVERNANCE CODE REQUIREMENTS

Information about each member of the Supervisory Board and his independence, as required by the Dutch Corporate Governance Code, is included on page 38 of the Annual Report. That information includes the composition of each Supervisory Board Committee.

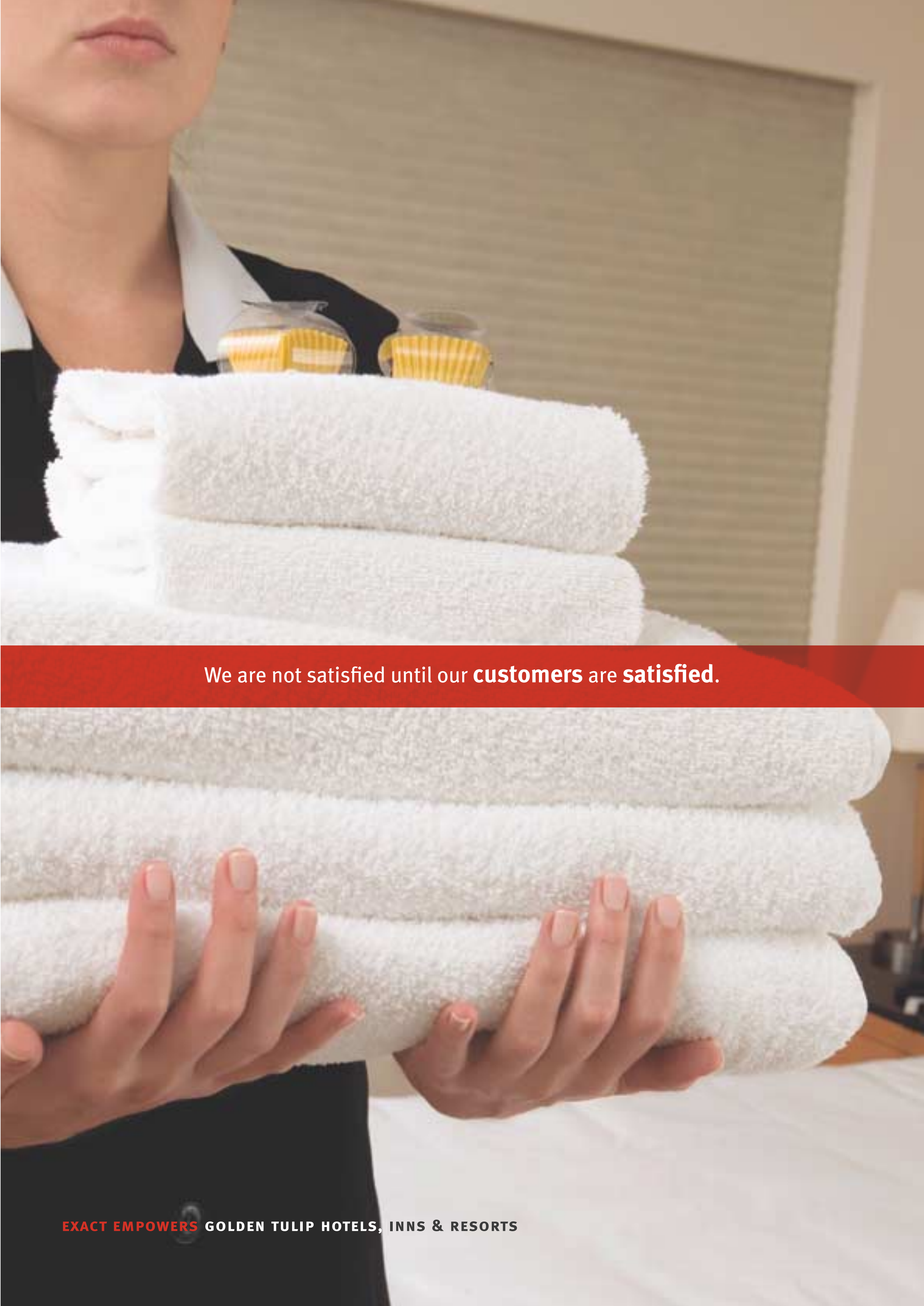
CONCLUSION

The Financial Statements for the year 2006, 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.

The Supervisory Board has approved the 2006 Financial Statements and recommends that these be adopted accordingly by the Annual General Meeting of Shareholders. The Supervisory Board also approved a cash dividend of € 1.42 per share and recommends that the Annual General Meeting of Shareholders adopts this dividend proposal.

The Supervisory Board would like to express its appreciation to the Board of Managing Directors, the executive committee, the management team and all the employees for their commitment, dedication and efforts during 2006.

Delft, March 28, 2007


We are not satisfied until our **customers** are **satisfied**.

Exact software®

Contents

1 Consolidated IFRS income statement For the year ended December 31

(in thousands of euros)	Note	2006	2005
License revenue		**71,351**	66,347
Maintenance revenue		**123,780**	119,772
Service revenue		**46,934**	38,409
Total revenue	24	**242,065**	224,528
Revenue-related costs		**18,847**	19,261
Employee benefit expenses	25	**122,487**	110,050
Depreciation and amortization expense and impairment losses		**6,674**	5,712
Other operating expenses		**34,536**	32,822
Marketing and sales		**13,612**	15,895
Total operating expenses		**196,156**	183,740
Operating income		**45,909**	40,788
Finance income and expenses			
Interest and other financial income		**3,230**	4,502
Interest and other financial expenses		**(1,011)**	(720)
Total finance income	26	**2,219**	3,782
Income before taxes		**48,128**	44,570
Income tax expense	27	**13,738**	12,560
Net income after taxes		**34,390**	32,010
Attributable to:			
Equity holders of Exact		**34,083**	32,033
Minority interest		**307**	(23)
Average number of shares outstanding basic (in thousands)		**24,032**	23,867
Average number of shares outstanding diluted (in thousands)		**24,035**	23,870
Earnings per share (in euros)		**1.42**	1.34
Diluted earnings per share (in euros)		**1.42**	1.34

The notes on page 51 to page 84 are an integral part of these consolidated financial statements.

2 Consolidated IFRS balance sheet As at December 31

(in thousands of euros)	Note	2006	2005
ASSETS			
Non-current assets			
Intangible fixed assets	8	73,008	80,195
Property, plant and equipment	9	16,923	18,467
Deferred tax assets	10	5,088	6,408
Derivative financial instruments	11	406	0
Total non-current assets		95,425	105,070
Current assets			
Non-current assets held for sale	12	0	846
Inventory		666	668
Trade receivables	13	50,569	47,465
Other receivables and prepaid expenses	14	6,175	4,489
Short-term investments	15	106,472	75,139
Cash and cash equivalents	16	21,341	42,446
Total current assets		185,223	171,053
Total assets		280,648	276,123

The notes on page 51 to page 84 are an integral part of these consolidated financial statements.

(in thousands of euros)	Note	2006	2005
EQUITY AND LIABILITIES			
Share capital	17	**488**	488
Capital surplus	18	**89,802**	89,802
Retained earnings		**59,382**	51,577
Net income		**34,083**	32,033
Cumulative translation adjustment		**(1,005)**	2,979
Shareholders' equity		**182,750**	176,879
Minority interest		**1,953**	1,699
Total equity		**184,703**	178,578
Non current liabilities			
Earn-out provisions and related liabilities	20	**7,393**	8,238
Provisions for other liabilities and charges	20	**3,108**	1,590
Long-term loans	21	**3,826**	6,745
Deferred tax liabilities	22	**2,288**	3,058
Derivative financial instruments	11	**0**	653
Total non current liabilities		**16,615**	20,284
Current liabilities			
Deferred revenue	23	**56,162**	55,960
Accounts payable and other liabilities		**6,773**	5,490
Corporate income tax		**200**	494
Other taxes and social securities		**5,992**	5,517
Accrued liabilities		**10,203**	9,800
Total current liabilities		**79,330**	77,261
Total liabilities		**95,945**	97,545
Total equity and liabilities		**280,648**	276,123

The notes on page 51 to page 84 are an integral part of these consolidated financial statements.

3 Consolidated statement of changes in equity

For the year ended December 31

(in thousands)

	Common shares	Treasury shares	Share capital €	Capital surplus €	Retained earnings €	Cumulative translation adjustments €	Shareholders' equity €	Minority interest €	Total equity €
Balance at December 31, 2004	24,400	698	488	81,002	78,293	(1,971)	157,812	756	158,568
Effect of IAS 32/39	0	0	0	0	274	0	274	0	274
Balance at January 1, 2005	24,400	698	488	81,002	78,567	(1,971)	158,086	756	158,842
Settlement earn-out	0	0	0	0	(3,220)	0	(3,220)	0	(3,220)
Currency translation adjustment	0	0	0	0	0	4,950	4,950	0	4,950
Total income and expense for the year recognized directly in equity	0	0	0	0	(3,220)	4,950	1,730	0	1,730
Net result	0	0	0	0	32,033	0	32,033	(23)	32,010
Total income and expense for the year	0	0	0	0	28,813	4,950	33,763	(23)	33,740
Settlement earn-out	0	(330)	0	8,800	0	0	8,800	0	8,800
Dividend relating to 2004	0	0	0	0	(23,770)	0	(23,770)	0	(23,770)
Movement minority interest related to acquisitions	0	0	0	0	0	0	0	966	966
Balance at December 31, 2005	24,400	368	488	89,802	83,610	2,979	176,879	1,699	178,578

The notes on page 51 to page 84 are an integral part of these consolidated financial statements.

(in thousands)

	Common shares	Treasury shares	Share capital €	Capital surplus €	Retained earnings €	Cumulative translation adjustments €	Shareholders' equity €	Minority interest €	Total equity €
Balance at January 1, 2006	24,400	368	488	89,802	83,610	2,979	176,879	1,699	178,578
Settlement earn-out	0	0	0	0	(331)	0	(331)	0	(331)
Currency translation adjustment	0	0	0	0	0	(3,984)	(3,984)	0	(3,984)
Total income and expense for the year recognized directly in equity	0	0	0	0	(331)	(3,984)	(4,315)	0	(4,315)
Net result	0	0	0	0	34,083	0	34,083	307	34,390
Total income and expense for the year	0	0	0	0	33,752	(3,984)	29,768	307	30,075
Dividend relating to 2005	0	0	0	0	(23,928)	0	(23,928)	0	(23,928)
Movement minority interest related to acquisitions	0	0	0	0	0	0	0	(53)	(53)
Long-term incentive plan	0	0	0	0	31	0	31	0	31
Balance at December 31, 2006	24,400	368	488	89,802	93,465*	(1,005)	182,750	1,953	184,703

* Pay out of the retained earnings will be restricted for the negative amount of the cumulative translation adjustment of € 1,005.

The notes on page 51 to page 84 are an integral part of these consolidated financial statements.

4 Consolidated statements of cash flows For the year ended December 31

(in thousands of euros)	2006	2005
Net income after taxes	**34,390**	32,010
Amortization, depreciation of property, plant and equipment and impairment losses	**6,674**	5,712
Increase/decrease in non current liabilities, excluding earn-outs	**1,817**	(1,508)
Increase/decrease in deferred revenue	**2,126**	(3,527)
Increase/decrease in current assets and current liabilities, (excluding tax)	**(3,806)**	2,632
Increase/decrease taxes payable	**415**	(2,863)
Cash flow provided by operations	**41,616**	32,456
Cash flow used in investing activities		
Acquisition of group companies, net of cash acquired	**(883)**	(20,218)
Capital expenditures on intangible assets	**0**	(1,275)
Capital expenditures on property, plant and equipment	**(4,149)**	(5,567)
Proceeds from disposal of property, plant and equipment	**1,313**	787
Earn-out payments	**(397)**	(1,094)
Cash flow used in investing activities	**(4,116)**	(27,367)
Cash flow used in financing activities		
Dividend paid	**(23,928)**	(23,770)
Proceeds long-term loan	**(2,427)**	5,841
Cash flow used in financing activities	**(26,355)**	(17,929)
Net increase / (decrease) in cash, cash equivalents	**11,145**	(12,840)
Opening balance cash and cash equivalents	**117,585**	130,109
Exchange rate differences	**(917)**	316
Closing balance cash and cash equivalents	**127,813**	117,585

The actual tax paid in 2006 amounts to € 10.2 million (2005: paid € 13.9 million), the actual interest received in 2006 amounts to € 3.2 million (2005: € 5.7 million) and the actual interest paid in 2006 amounts to € 491,000 (2005: € 124,000).

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

	December 31, 2006	December 31, 2005
Cash and cash equivalents	**21,341**	42,446
Short-term investments	**106,472**	75,139
Total	**127,813**	117,585

The notes on page 51 to page 84 are an integral part of these consolidated financial statements.

5 Notes to the consolidated IFRS financial statements

General information and summary of significant accounting policies

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 group's activities relate primarily to the development, distribution and marketing of business software, end-user support, training and consultancy.

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

The financial statements 2006 have been approved by the Supervisory Board on March 28, 2007 and will be submitted for adoption to the Annual General Meeting of Shareholders on April 25, 2007.

5.2 Statement of compliance

The consolidated financial statements included in the pages 51 to 84 have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the European Union.

5.3 Basis of preparation

The financial statements are presented in thousands of euros, unless stated otherwise. The euro is the predominant functional currency and 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 degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated statements are disclosed in note 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 2006 and 2005.

5.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of Exact Holding N.V. and its subsidiaries as at December 31, 2006. 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, being the date on which Exact obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiaries by Exact. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of transfer, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.
The excess of the cost of an acquisition over the fair values of Exact share of the identifiable net assets acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of Exact's share of the net assets of the subsidiaries acquired, the difference is recognized directly in the income statement.

Minority interests are presented separately in both the equity and the profit and loss statement. Where losses attributable to the minority in a consolidated subsidiary exceed the minority interest in the subsidiaries equity, the excess and any further losses applicable to the minority, are allocated to Exact, except to the extent that the minority shareholder has a binding obligation, and is able to make an additional investment to cover the losses.

5.5 Significant accounting judgments and estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty 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 are discussed below.

Impairment of goodwill

Exact determines whether goodwill is impaired at least on an annual basis. This requires an estimation 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, 2006 was € 60 million (2005: € 65 million). More details are provided in note 8.

Taxes

Deferred tax assets have been recognized in respect of certain tax losses carried forward by several subsidiaries outside the Netherlands. Annually Exact makes a fair assessment about the valuation of the deferred tax asset.

5.6 Foreign currencies

(a) Functional and presentation currency

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'). The consolidated financial statements are presented in euros, which is Exact's predominant functional currency and its presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at 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.

(c) 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:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates;
(iii) all resulting exchange differences are recognized as a separate component of equity (cumulative translation adjustment).

Exchange differences arising from the translation of net investment in foreign entities are taken to equity on consolidation. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

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

5.7 Statement of cash flow

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

5.8 Intangible fixed assets

5.8.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Exact's share of the net identifiable assets of the acquired company at the date of acquisition. Goodwill on acquisition of subsidiaries is included in the intangible fixed assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment; assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

5.8.2 Other intangible fixed assets

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

Contract base	10 – 20%
Purchased software	33.33%

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 assets' carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

5.9 Property, plant and equipment

All property, plant and equipment are presented at cost less subsequent depreciation and impairment. Costs include expenditures that are directly attributable to the acquisition of the items. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
Depreciation on assets is calculated by using the straight-line method to allocate the cost of each asset to 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%

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.
The asset's 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. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.
Transportation includes Exact's airplane for which the component method of depreciation is used. There are no other assets for which the component method is applicable.

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

5.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated 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.

5.12 Inventories

The inventory, comprising brochures and other marketing material, material shipped for licenses sold and upgrades (CD's, manuals, packing material, etc.) and hardware- and software stock, is 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.

5.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision 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.

5.14 *Other assets and liabilities*

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

5.15 *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.

5.16 *Employee benefits*

(a) 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 into a separate entity. 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. Each individual employee determines his/her own defined contribution, which is deducted from his/her gross salary. Various acquired subsidiaries have a defined contribution plans with a limited employer contribution.

(b) Profit sharing and bonus plans

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

(c) Share-based payments

Equity-settled share based payments are measured at fair value at the date of grant. For further details we refer to Note 25.

5.17 *Earn-out provisions and related liabilities and provisions for other liabilities and charges*

Provisions for asset retirement obligations, warranty costs, earn-out costs, legal claims and other are recognized when (i) Exact has a present legal or constructive obligation as a result of past events, (ii) it is more likely than not that an outflow of resources will be required to settle the obligation, (iii) and the amount has been 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.

Onerous contracts

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

5.18 *Deferred tax liabilities*

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

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

5.19 *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 at the balance sheet date to defer settlement of the liability for at least twelve months after the balance sheet date.

5.20 *Derivative financial instruments*

Financial instruments such as derivates are used to hedge the financial risks of Exact. Derivatives can be recognized at fair value on the date a derivative contract is entered into or apply for hedge accounting. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The existing derivative instruments do not qualify for hedge accounting and are as such qualified at fair value through profit or loss in the income statement. Transactions cost related to these instruments are charged to the income statement when incurred.

5.21 *Leases*

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 expense.

5.22 *Revenue recognition*

Exact derives its revenue from (i) software license fees and forms, (ii) providing maintenance, implementation and training services related to the use of Exact's products, (iii) and 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, and
— 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 rateably over the contract period.
Maintenance revenue consists of customer support revenue generated from maintenance contracts that provide the customer with telephone support and 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 from fixed price contracts is accounted for in proportion to the performance rendered (percentage of completion) 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 expenses recognized that are recoverable.

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 with a term shorter than or equal to one year are deferred and recognized ratably over the related contract period.
The maintenance agreements entitle the user to support and to new versions of the software. These maintenance contracts are deferred (100%) and recognized over the related contract period, generally twelve months.

5.23 *Operating expenses*

Expenses are recorded in the period in which they originate. Depreciation of property, plant and 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 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 agents for sales realized on behalf of Exact.

5.24 *Government grants*

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all applicable conditions are met. When possible, grants are recognized in the same period as related expenses.

5.25 *Research and development*

Research and development costs consist of costs attributable to the group's research and development activities as well as maintenance activities of existing product lines, including personnel expenses and other headcount related costs associated with product development. Exact has determined that technological feasibility for the software products is reached shortly before the products are released to the market. Costs incurred, after technological feasibility is established, are insignificant, and accordingly Exact expenses all research and development costs when incurred.

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.

5.27 *Earnings per share*

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

5.28 *Adoption of new and revised International Financial Reporting Standards*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements:

- IFRS 7 'Financial Instruments Disclosure' requires disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent or risks. This standard does not have any impact on the classification and valuation of Exact's financial instruments.
- IAS1 'Presentation of Financial Statements – Capital disclosures'. Amended IAS 1, which will become mandatory for the Exact's 2007 financial statements, will require additional disclosures with respect to Exact's objectives, policies and processes for managing capital.
- IFRIC 8 'Scope of IFRS 2 Share-based Payment' addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for Exact's 2007 financial statements, with retrospective application required. Management does not expect this change to have an impact on the consolidated financial statements.
- IFRIC 9 'Reassessment of Embedded Derivatives' requires that a reassessment of whether embedded derivatives should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for Exact's financial statements, is not expected to have any impact on the consolidated financial statements.

— IFRIC 10 ‘Interim Financial Reporting and Impairment’ prohibits the revival of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for Exact’s 2007 financial statements, and will apply to goodwill, investments in equity instruments classified as available for sale and or certain financial assets carried at cost of IAS 36 and IAS 39 respectively (i.e. January 1, 2004). The adoption of IFRIC 10 is not expected to have any impact on the financial statements 2007.

5.29 Segment reporting

Segment information is presented in respect of Exact’s business and geographical segments. The primary format, business segments, is based on Exact’s management and internal reporting structure. Inter-segment pricing is determined on 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.

6 Financial risk management

Exact is exposed to market risk, primarily related to changes in foreign exchange rates. Furthermore, Exact is exposed to credit risks. 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.

(a) Market risk (foreign exchange risk)

Exact conducts business in euros and in foreign currencies. Since the functional currency of Exact is the euro, Exact is subject to exchange risk due to the effects that changes in currency have on the revenues, results and balance sheet positions ultimately reported in euros. For 2006, 37% of revenues and 41% 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 cost) – these contain not only the existing and expected purchase and sale transactions, but also debts and receivables arising from these transactions;

— Investments in foreign group companies – these also contain results and other financial inter-company relationships.

All group 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.

(b) Credit risk

The credit risk comprises the loss that should be recognized at the balance sheet date if customers would 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, where necessary, securities. Furthermore, Exact has procedures and policies to limit the size of the credit risk with each customer or market. These procedures and the geographical spread of the activities of the group companies limit the exposure of Exact to the risk connected with the concentration of credit and market risks.

(c) 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 no liquidity risk.

Financial risk management is currently performed by the Board of Managing Directors. Financial risks are addressed on corporate level, evaluated and hedged as Exact deems necessary. Exact may use derivative financial instruments to hedge certain risk exposures.

7 *Business combinations*

Acquisitions 2006

There were no acquisitions in 2006.

Acquisitions 2005

Kooijman group

On June 8, 2005 Exact acquired 100% of the share capital of Kooijman Groep B.V., a Dutch IT company involved in the development and licensing of software to building and educational industries as well as providing related consultancy services. Kooijman contributed revenues of € 4,285 and a profit of € 485 to Exact for the period June 13, 2005 to December 31, 2005. If the acquisition had occurred on January 1, 2005, Kooijman's contributed revenue would have been € 7,378, and Kooijman's contributed profit would have been € 516.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	8,800
Direct costs relating to acquisition	21
Total purchase price consideration	8,821
Fair value of net assets acquired	3,426
Goodwill	5,395

The goodwill is attributable to the significant synergies expected to be realized after Exact's acquisition of Kooijman Groep B.V.

The assets and liabilities acquired through this acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	930	930
Property, plant and equipment	302	302
Contract base	3,664	0
Software	641	641
Inventories	13	13
Trade and other receivables	1,072	1,072
Accounts payable and other liabilities	(2,097)	(2,097)
Deferred tax liability contract base	(1,099)	0
Net assets	3,426	861
Purchase consideration settled in cash		8,800
Cash and cash equivalents acquired		930
Cash outflow on acquisition		7,870

AllLicense Holding group

On June 17, 2005 Exact acquired 70% of the share capital of AllLicense Holding B.V., a Dutch IT company specialized in software for service providers and non-profit organisations. AllLicense contributed revenues of € 1,225 and a loss of € 246 to Exact for the period June 29, 2005 to December 31, 2005. If the acquisition had occurred on January 1, 2005, AllLicense's contributed revenue would have been € 2,735 and AllLicense's contributed loss would have been €415.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	2,984
Earn-out provision and liability to acquire minority interest	2,860
Direct costs relating to acquisition	21
Total purchase price consideration	5,865
Fair value of net assets acquired	1,669
Goodwill	4,196

The goodwill is attributable to the significant synergies expected to be realized after Exact's acquisition of AllLicense Holding B.V. Exact and the shareholders of AllLicense Holding B.V. agreed that Exact would purchase the remaining shares on June 17, 2008. The price for the remaining shares is based on nine times 30% of the 2007 net profit of the AllLicense Holding group.

The assets and liabilities acquired through this acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	987	987
Property, plant and equipment	1,054	1,054
Contract base	1,354	0
Work in progress	50	50
Trade and other receivables	677	677
Mortgage	(859)	(859)
Accounts payables and other liabilities	(810)	(810)
Deferred tax liability contract base	(406)	0
Minority interest (30%)	(614)	0
Receivable minority shareholders	236	0
Net assets	1,669	1,099
Purchase consideration settled in cash		2,984
Cash and cash equivalents acquired		987
Cash outflow on acquisition		1,997

The purchase price allocation in 2005 was provisional. In 2006, the receivable on the minority shareholder of All Solutions has been decreased with an amount of € 56 and the minority interest over 30% of the contract base ad € 284 is recorded in 2006.

Vanguard Solutions Group

On October 1, 2005 Exact acquired 100% of the share capital of Vanguard Solutions Group, a US IT Company involved in the development of enterprise business intelligence solutions. Vanguard contributed revenues of € 1,315 and profit of € 225 to Exact for the period October 10, 2005 to December 31, 2005. If the acquisition had occurred on January 1, 2005, Vanguard's contributed revenue would have been € 3,825 and Vanguard's contributed loss would have been € 600.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	4,222
Earn-out provision	829
Direct costs relating to acquisition	139
Total purchase price consideration	5,190
Fair value of net assets acquired	301
Goodwill	4,889

The goodwill is attributable to the significant synergies expected to be realized after Exact's acquisition of Vanguard Solutions Group.

Exact and the shareholders of Vanguard Solutions Inc. agreed upon an additional earn-out payment, which is mainly based on the revenue development of Vanguard Solutions Group for the years 2006 and 2007.

The assets and liabilities acquired through this acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	36	36
Property, plant and equipment	82	82
Contract base	2,096	0
Trade and other receivables	1,582	1,582
Accounts payable and other liabilities	(2,657)	(2.955)
Deferred tax liability contract base	(838)	0
Net assets	301	(1,255)
Purchase consideration settled in cash		4,222
Cash and cash equivalent in subsidiary acquired		36
Cash outflow on acquisition		4,186

The purchase price allocation in 2005 was provisional. The opening balance sheet per October 1, 2006 has been adjusted with an amount of € 298. The liabilities were overstated, and therefore the goodwill decreased with an amount of € 298.

Modulair Easy Access B.V.

On October 14, 2005 Exact acquired 60% of the share capital of Modulair Easy Access B.V., a Dutch IT company involved in the development of software solutions for warehouse and logistic management based on Exact software. Modulair contributed revenues of € 1,042 and profit of € 91 to Exact for the period 24 October 2005 to December 31, 2005. If the acquisition had occurred on January 1, 2005, Modulair's contributed revenue would have been € 3,610, and Modulair's contributed profit would have been € 405.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	3,600
Earn-out and liability to acquire minority interest	4,650
Direct costs relating to acquisition	0
Total purchase price consideration	8,250
Fair value of net assets acquired	2,563
Goodwill	5,687

The goodwill is attributable to the significant synergies expected to be realized after the Exact's acquisition of Modulair Easy Access B.V.

Exact and the shareholders of Modulair Easy Access B.V. agreed upon an option to purchase respectively sell the remaining shares before July 1, 2009 if and when the conditions as specified in the stock purchase agreement are met. The purchase price for the remaining shares is mainly determined by the revenue of the year 2008. This option resulted in classification of the minority interest as a liability.

The assets and liabilities acquired through this acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	69	69
Property, plant and equipment	114	114
Contract base	3,338	0
Inventories	33	33
Trade and other receivables	816	816
Accounts payable and other liabilities	(806)	(806)
Deferred tax liability contract base	(1,001)	0
Net assets acquired	2,563	226
Purchase consideration settled in cash		3,600
Cash and cash equivalents acquired		69
Cash outflow on acquisition		3,531

Inspired Solutions LLC

On December 9, 2005 Exact Software has completed the asset purchase transaction of Inspired Solutions LLC, an Atlanta, Georgia-based IT consulting firm providing consulting and professional services centered on Exact Software.

Inspired Solutions LLC contributed revenues of € 211 and profit of € 135 to Exact for the period 15 December 2005 to December 31, 2005. If the acquisition had occurred on January 1, 2005, Inspired's contributed revenue would have been € 2,100 and Inspired's contributed profit would have been € 255.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	2,206
Direct costs relating to acquisition	0
Total purchase price consideration	2,206
Fair value of net assets acquired	1,078
Goodwill	1,128

The goodwill is attributable to the significant synergies expected to be realized after the Exact's acquisition of Inspired Solutions LLC.

The assets and liabilities acquired through this acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	186	186
Property, plant and equipment	75	75
Contract base	708	0
Trade and other receivables	301	301
Accounts payable and other liabilities	(192)	(192)
Net assets acquired	1,078	370
Purchase consideration settled in cash		2,206
Cash and cash equivalents acquired		186
Cash outflow on acquisition		2,020

8 *Intangible fixed assets*

The movements in intangible assets are summarized below:

	Goodwill	Contract base	Purchased software	Total
At January 1, 2005				
Purchase value	38,446	1,620	40	40,106
Cumulative amortization	0	(77)	(40)	(117)
Book value	38,446	1,543	0	39,989
Acquisitions	0	1,770	32	1,802
Acquisitions from business combinations	21,191	11,918	641	33,750
Release earn-out provisions	(200)	0	0	(200)
Amortization	0	(697)	(112)	(809)
Net currency translation adjustment	5,566	96	1	5,663
Change in book value	26,557	13,087	562	40,206
At December 31, 2005				
Purchase value	65,003	15,412	714	81,129
Cumulative amortization	0	(782)	(152)	(934)
Book value	65,003	14,630	562	80,195
Acquisitions minority interests	736	0	0	736
Adjustments provisional purchase price allocations	73	0	0	73
Adjustments earn-out provisions	(857)	0	0	(857)
Amortization	0	(1,565)	(216)	(1,781)
Net currency translation adjustment	(4,991)	(370)	3	(5,358)
Change in book value	(5,039)	(1,935)	(213)	(7,187)
At December 31, 2006				
Purchase value	59,964	15,001	710	75,675
Cumulative amortization	0	(2,306)	(361)	(2,667)
Book value	59,964	12,695	349	73,008

Impairment tests for goodwill

Goodwill is allocated to Exact's cash-generating units (CGU's) which have been identified according to the strategic group structure. See note 24.1 for further detailed information about the strategic groups.

A segment-level summary of the goodwill allocation is given below:

	2006	2005
Netherlands	**12,922**	15,436
North-America	**45,328**	48,486
International (including Other National Markets)	**1,714**	1,081
Total	**59,964**	65,003

The recoverable amount of a CGU is determined in 2006 and 2005 based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond five-year period are extrapolated by using the estimated growth rates stated below.

	Netherlands	North America	International
Gross margin [1]	84.1 – 100%	100%	100%
Growth rate [2]	2.0%	2.0%	2.0%
Discount rate [3]	9.75% – 15.3%	9.75%	9.75%

[1] Budgeted gross margin.

[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period.

[3] Pre-tax discount rate applied to the cash flow projections.

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the market development. 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.

9 Property, plant and equipment

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

	Buildings and leasehold improvements	Transportation	Hardware	Other fixed assets	Total
At January 1, 2005					
Purchase value	5,207	13,875	11,080	7,679	37,841
Cumulative depreciation	(2,746)	(4,000)	(8,209)	(5,501)	(20,456)
Book value	2,461	9,875	2,871	2,178	17,385
Additions	182	2,414	2,150	821	5,567
Acquisitions through business combinations	873	97	411	225	1,606
Disposals	(182)	(375)	(59)	(67)	(683)
Depreciation	(273)	(1,615)	(2,072)	(952)	(4,912)
Net currency translation adjustments	154	9	158	113	434
Reclassifications to assets held for sale	(930)	0	0	0	(930)
Change in book value	(176)	530	588	140	1,082
At December 31, 2005					
Purchase value	2,990	15,085	14,654	8,539	41,268
Cumulative depreciation	(705)	(4,680)	(11,195)	(6,221)	(22,801)
Book value	2,285	10,405	3,459	2,318	18,467
Additions	171	1,366	2,025	588	4,150
Acquisitions through business combinations	0	0	0	0	0
Disposals	(27)	(633)	(86)	(68)	(814)
Depreciation	(150)	(1,742)	(2,008)	(884)	(4,784)
Net currency translation adjustments	(64)	(10)	(129)	(84)	(287)
Reclassification from assets held for sale	191	0	0	0	191
Change in book value	121	(1,019)	(198)	(448)	(1,544)
At December 31, 2006					
Purchase value	3,240	14,649	15,590	8,269	41,748
Cumulative depreciation	(834)	(5,263)	(12,329)	(6,399)	(24,825)
Book value	2,406	9,386	3,261	1,870	16,923

The estimated current market value of the buildings owned by Exact and its subsidiaries, included under buildings & leasehold improvements, is approximately € 1,569 (2005: € 1,308), while the book value of these buildings as per December 31, 2006 is € 1,275 (2005: € 1,113). This estimate is based on an appraisal made by a real estate agent, applicable valuation for property tax and/or recent transactions for similar buildings.

10 *Deferred tax assets*

Deferred income tax assets comprise:

	2006	2005
Tax losses carry forward	**4,604**	5,446
Temporary timing differences	**484**	962
Total	**5,088**	6,408

The movement of the deferred income tax assets is summarized below:

	2006	2005
At January 1	**6,408**	5,020
Movement through the income statement:		
Carry forward losses	**(836)**	1,718
Property, plant and equipment	**(484)**	(330)
At December 31	**5,088**	6,408
Deferred tax asset to be recovered after more than twelve months	**3,887**	5,543
Deferred tax asset to be recovered within twelve months	**1,201**	865
Total	**5,088**	6,408

As per December 31, 2006 Exact has estimated tax losses carried forward of € 24 million (2005: € 24 million) among several subsidiaries outside the Netherlands. Management has made a fair assessment about which part of these losses will likely be offset by taxable profits in the foreseeable future. For this assessment, Exact has taken 80% of the forecasted operating income for the coming three years into account at the respective tax rates (varying between 16% and 35%).
Exact did not value losses carried forward amounting to € 6.6 million (2005: € 4.4 million), because of inadequate taxable income during the three year forecast period. These foreign net operating losses will expire in the range of 15 years and unlimited.

11 *Derivative financial instruments*

In 2004, Exact decided to hedge part of its net US dollar cash flow against the euro and engaged in a EUR/USD swap. As a result of the agreed instrument Exact will exchange USD 4 million per year into euros until 2009 at a fixed exchange rate of 1.2780. The fair value of the swap at year-end is an asset of € 405 (2005: liability of € 653). Exact did not engage in any other important derivative financial instruments.

12 *Non-current assets held for sale*

Exact held the following non-current assets for sale:

	2006	2005
Apartments Delft	0	382
Marion building, USA	0	464
Total	**0**	846

The Marion building, USA, is sold in 2006 for an amount of € 341. The loss is recorded in the consolidated IFRS income statement under depreciation and amortization.
The apartments of € 382 consists of two apartments for an amount of € 191 each. One of the apartments is sold in 2006 for an amount of € 251. The recognized profit is recorded in the income statement under depreciation and amortization.
For the other apartment, management has decided not to sell it anymore and so it is reclassified under the property, plant and equipment.

13 *Trade receivables*

	2006	2005
Trade receivables	**55,790**	53,038
Provision for impairment of receivables	**(5,221)**	(5,573)
Trade receivables – net	**50,569**	47,465

Exact has recognized an expense of € 3,685 (2005: € 3,697) for the impairment of its trade receivables during the year ended December 31, 2006. 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 customers, internationally dispersed. The trade receivables mature within one year.

14 *Other receivables and prepaid expenses*

The other receivables and prepaid expenses can be specified as follows:

	2006	2005
Prepaid expenses	**3,745**	1,994
Other receivables	**2,430**	2,495
Total	**6,175**	4,489

Prepaid expenses include prepaid rent, prepaid insurance premiums and prepaid lease installments.
Other receivables include receivables, other than trade receivables, and accrued revenue related to services performed by Exact. The other receivables mature within one year.
As at December 31, 2006 the other receivables include a receivable of € 323 (2005: € 232) on Eduard Hagens, former CEO of Exact and shareholder, mainly for the private use of Exact's airplane. This receivable is unsecured and is non-interest bearing.
An amount of € 120, as bonus payable to Eduard Hagens, is deducted from the other receivables.
In the other receivables as at December 31, 2006 an amount of € 766 (2005: 708) for wage cost subsidy is included.

15 *Short-term investments*

In 2006 Exact replaced the short-term investment in an interest growth fund (2005: € 75,139) by short-term deposits. At year-end an amount of € 106,472 was invested in short-term deposits.

16 *Cash and cash equivalents*

No restrictions exist on cash. As at December 31, 2006 Exact held € 21,341 (2005: € 42,446) in bank balances and cash, predominantly euro denominated.

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 (2005: 24,400,405) ordinary shares issued, which are fully paid. 368,061 ordinary shares are still held in treasury by Exact, mainly with the purpose of covering equity based compensation of management (2005: 368,061). See note 19.
The ordinary shares held in treasury by Exact have been deducted from the capital surplus at their purchase price, which equals the nominal value. No treasury shares were transferred to exercise options nor were sold in 2006 (2005: 0).

18 *Capital surplus*

The movement of the capital surplus can be summarized as follows:

	2006	2005
As at January 1	**89,802**	81,002
Settlement Dimoni	**0**	8,800
As at December 31	**89,802**	89,802

The settlement with Dimoni in 2005 is recorded in accordance with the final arbitration verdict in respect of the earn-out dispute with Dimoni Software S.A., Exact released 330,216 treasury shares to the former shareholders of Dimoni. The issuance price of these shares is € 26.65, resulting in a total value of € 8,800.

19 *Share based payments*

Shares
The long-term remuneration agreement directly reflects the challenging performance targets formulated in the strategic plan for the years 2006-2008. These performance targets relate, inter alia, to revenue growth and profit margin. The long-term remuneration contains a once-only conditional award of shares in 2006, whereby a maximum of 70% of the reward in shares is based on Exact's revenue in 2008 and a maximum of 30% of the award in shares is based on Exact's profit margin in 2008.
The Supervisory Board prefers to use shares as a long-term remuneration instrument as these are directly interrelated with shareholders' interests. The conditional shares have a maximum value at the date of award of € 300,000 for each member of the Board of Managing Directors. 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 furter details about these will be provided in this Annual Report. The Supervisory Board will ensure that the targets are ambitious but also realistic.

As per December 31, 2006 the long-term remuneration is accounted for an amount of € 31.0 (€ 15.5 for each Board Member) and recorded under the retained earnings.
The long-term remuneration plan will be settled in shares (equity-settled). The fair value is based on the share price at the granting date.

Options
In 1995, Exact established the Exact group option plan (the 'Plan'). Exact determines the exercise price for each option granted, but such price could not be below the deemed fair market value of the ordinary shares at the date of the grant. The option rights could be exercised in whole or in part during the exercise period, at the announced exercise dates, against payment of the exercise price. The exercise period of the option right is five years calculated from the date of the grant. Option rights lapsed if the option rights were not exercised during the exercise period. Should the employment agreement of the employee with Exact or one of its subsidiaries, for any or no reason have been terminated within five years, then a certain part of the acquired option rights would have lapsed in accordance with the following scheme:
a) During the first year following the date of grant, all option rights will lapse;
b) During the second year following the date of grant, 75 percent of the option rights would lapse;
c) During the third year following the date of grant, 50 percent of the option rights would lapse;
d) During the fourth year following the date of grant, 25 percent of the option rights would lapse;
e) During the fifth year following the date of grant, 0 percent of the option rights would lapse.

Members of the Supervisory Board don't hold any options on shares Exact Holding N.V. A number of 10.000 options held by one of the members of the Board of Managing Directors lapsed in 2006. Currently the members of the Board of Managing directors do not hold any options on shares of Exact Holding N.V.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006		2005	
	Average exercise price in € per share	Options	Average exercise price in € per share	Options
At January 1	**29.30**	**33,000**	36.57	133,191
Lapsed	**29.30**	**33,000**	38.96	100,191
At December 31	**0**	**0**	29.30	33,000

As at December 31, 2006 no options were exercisable (2005: 0).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price	Shares 2006	Shares 2005
April 2006	24.30	**0**	5,000
August 2006	32.05	**0**	18,000
September 2006	26.85	**0**	10,000
Total		**0**	33,000

20 Provisions

	Earn-outs and related liabilities	Asset retirement obligation	Other provisions	Total
At January 1, 2006	8,238	426	1,164	9,828
Changes				
Additional provisions	2,020	10	2,539	4,569
Payment in cash	(67)	0	(248)	(315)
Release	(3,054)	(96)	(721)	(3,871)
Interest	212	34	0	246
Reclassification minority interest	104	0	0	104
Net currency translation adjustment	(60)	0	0	(60)
At December 31, 2006	7,393	374	2,734	10,501

	2006	2005
Analysis of total provisions		
Non-current	**8,782**	9,828
Current	**1,719**	0
Total	**10,501**	9,828

20.1 Provision for earn-outs and related liabilities

The provision from earn-outs and related liabilities relates to future liabilities from acquisitions by Exact.

The provision can be specified as follows:

	2006	2005
AllLicense Holding B.V.	**864**	2,622
Modulair Easy Access B.V.	**3,716**	4,714
Vanguard Solutions Group Inc.	**1,907**	835
Inspired Solutions	**906**	0
Other	**0**	67
Total	**7,393**	8,238

AllLicense Holding B.V.

Exact and the shareholders of AllLicense Holding B.V. agreed that Exact would purchase the remaining shares on June 17, 2008. The price for the remaining shares is based on nine times 30% of the 2007 net profit of the AllLicense Holding group.

Modulair Easy Acces B.V.

Exact and the shareholders of Modulair Easy Access B.V. agreed upon an option to purchase, respectively sell the remaining shares before July 1, 2009 if and when the conditions as specified in the stock purchase agreement are being met. The price for the remaining shares is mainly based upon the revenue for the year 2008.

Vanguard Solution Group Inc.

Under the agreement of purchase and sale, the former shareholder of Vanguard Solutions Group, Inc, is entitled to an additional purchase price installment depending on the revenue performance of Vanguard over the period 2006 and 2007.

Inspired Solutions

Under the agreement of purchase and sale, the former shareholder of Inspired Solutions is entitled to an additional purchase price installment depending on the revenue performance of Inspired over the period 2007 and 2008.

20.2 *Asset retirement obligation*

Exact rents buildings for which in some cases the obligation exists to restore the building into its original conditions. This provision is of a long-term nature.

20.3 *Other provisions*

Other provisions include mainly legal and warranty provisions. These provisions as at December 31, 2006 and 2005 have been made for specific cases known at the respective balance sheet dates. The other provisions are considered to be of a long-term nature.

21 *Long-term loans*

	2006	2005
Bank loan	**3,029**	5,910
Mortgage	**797**	835
Total long-term liabilities	**3,826**	6,745

Bank loan

The bank loan is related to the acquisition of Vanguard and Inspired Solutions and is denominated in US dollars. To create more borrowing flexibility, the terms of the loan have been modified in 2006. An amount of US dollar 3 million has been temporarily redeemed. The loan bears an interest of 5.95% (2005: 7%) based on two weeks LIBOR including 50 basis points margin.
The applicable margin is based on the total Debt to EBITDA ratio of Exact.

Mortgage

The mortgage comprises two long-term loans (principal amount of € 1,044) secured by the office building of AllLicense Holding B.V. in Woerden, the Netherlands. One loan with a remaining balance of € 398 has a fixed interest rate of 4,1% until November 30, 2010. The second loan is a variable interest loan with a remaining balance of € 398 and an interest rate percentage of 4,5% at year-end.

The exposure of Exact's long-term loans to interest-rate changes and the contractual repayment dates are as follows:

Duration	December 31 2006	December 31 2005
< 6 months	**3,428**	6,327
> 6 months and ≤ 12 months	**0**	0
> 1 year and ≤ 5 years	**398**	418
> 5 years	**0**	0
Total	**3,826**	6,745

Maturity	2006	2005
< 1 year	42	42
> 1 year and ≤ 2 years	3,071	42
> 2 year and ≤ 5 years	126	6,036
> 5 years	587	625
Total	**3,826**	6,745

The effective interest rates at the balance sheet date were as follows:

	Currency	2006	2005
Bank loans	USD	5.95%	7.0%
Mortgage	EUR	4.1%-4.5%	4.0%-4.1%

The carrying amounts of the long-term loans approximate their fair value.

22 *Deferred tax liability*

The movement of the deferred tax liability is summarized below:

	2006	2005
At January 1	3,058	97
Acquisition of contract bases	0	3,111
Charged to the income statement	(770)	(150)
At December 31	2,288	3,058
Deferred tax liability to be recovered after more than twelve months	1,868	2,753
Deferred tax liability to be recovered within twelve months	420	305
Total	**2,288**	3,058

The deferred tax liability is 100% related to contract bases (intangible fixed assets).

23 *Current liabilities*

Liabilities with a remaining period of up to one year are presented under short-term liabilities.

23.1 *Deferred revenue*

Time based license fees with a term shorter or equal to one year are deferred and recognized ratably over the related contract period.

The maintenance agreements entitle the user to support and to new versions of the software. These maintenance contracts are deferred (100%) and recognized over the related contract period, generally twelve months.

Services revenue generated from professional consulting and training services and software customization services are recognized as the services are performed. Revenue from fixed price contracts is recognized in accordance with the percentage of completion method. If the resulting revenue to be recognized is smaller than the amount invoiced to the customer, the difference is recognized as deferred revenue.

Deferred revenue represents the unrecognized portion of time based license fees, maintenance and service contracts (see also

note 5.22). The nature of deferred revenue is considered to be long-term as the maintenance and services 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 2006 and that renew in the new financial year will be recognized in 2007. Insofar as the customer has paid in advance for agreements that are due for renewal in 2007, the value of the agreement is treated in its entirety as a liability under deferred revenue.

24 Segment reporting

24.1 Business segments

As at December 31, 2006, Exact is organised on a worldwide basis into three strategic groups, each of which focuses on a distinctly different type of market:

1) in the Netherlands small to medium-sized entities (SMB) are provided with innovative back-office solutions;
2) in North America Exact particularly serves the manufacturing and distribution sector;
3) the International strategic group focuses both on its second tier solution for multinationals as specific target groups in certain international markets.

The segment items reported in the strategic groups Netherlands and North America are not similar to the geographical segments Netherlands and North America. The reason for this is the fact that in the strategic group International also divisions are recorded which geographical are recorded in the Netherlands and North America.

The segment results for the year ended December 31, 2006 are as follows:

	Netherlands	International	North America	Total
Revenue	108,894	73,584	59,587	242,065
Operating income	25,590	10,991	9,328	45,909
Net income after taxes	22,385	6,860	5,145	34,390

The segment results for the year ended December 31, 2005 are as follows:

	Netherlands	International	North America	Total
Revenue	99,732	71,664	53,132	224,528
Operating income	25,763	8,718	6,307	40,788
Net income after taxes	21,799	7,016	3,195	32,010

Other segment items included in the income statement in 2006 are as follows:

	Netherlands	International	North America	Total
Depreciation	2,591	1,558	738	4,887
Amortization	1,171	242	374	1,787
Impairment of property, plant and equipment and intangibles	0	0	0	0
Impairment of trade receivables	983	2.100	602	3,685

Other segment items included in the income statement in 2005 are as follows:

	Netherlands	International	North America	Total
Depreciation	2,306	1,654	943	4,903
Amortization	545	97	167	809
Impairment of property, plant and equipment and intangibles	0	0	0	0
Impairment of trade receivables	767	1,817	1,113	3,697

The segment assets and liabilities as at December 31, 2006 and investments in 2006 (including business acquisitions) are as follows:

	Netherlands	International	North America	Total
Assets	166,050	46,638	62,466	275,154
Liabilities	33,441	27,893	17,796	79,130
Investments	2,983	1,495	408	4,886

The segment assets and liabilities as at December 31, 2005 and investments in 2005 (including business acquisitions) are as follows:

	Netherlands	International	North America	Total
Assets	153,880	48,023	67,812	269,715
Liabilities	29,416	28,413	19,591	77,420
Investments	17,159	2,999	6,721	26,879

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

Reconciliation assets with balance sheet	2006	2005
Total assets in balance sheet as at December 31	**280,648**	276,123
Less:		
Deferred tax assets	**(5,088)**	(6,408)
Derivative financial instrument	**(406)**	0
Total assets in segmentation	**275,154**	269,715

Reconciliation liabilities with balance sheet	2006	2005
Total current liabilities in balance sheet as at December 31	**79,330**	77,261
Add:		
Derivative financial instrument	**0**	653
Less:		
Corporate income tax	**(200)**	(494)
Total liabilities in segmentation	**79,130**	77,420

Segment liabilities comprise operating liabilities. They exclude items such as (deferred) taxation, provisions and long-term loans.

Investments comprise additions to intangible assets, property, plant and equipment as well as the additions resulting from acquisitions through business combinations.

24.2 *Geographical segments*

Exact's three strategic groups operate in eight 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 of development and sale of integrated IT solutions such as ERP-software as well as different front- and back-office applications.

	Netherlands	International	North America	2006	2005
Revenues					
The Netherlands	108,894	3,317	0	**112,211**	103,183
North America	0	112	59,587	**59,699**	53,286
Germany	0	15,574	0	**15,574**	20,789
Other Western European countries	0	22,936	0	**22,936**	20,561
Eastern Europe	0	11,959	0	**11,959**	8,925
Latin America	0	10,348	0	**10,348**	9,769
Asia/Pacific, including Middle East	0	8,307	0	**8,307**	7,060
Africa	0	1,031	0	**1,031**	955
Total	108,894	73,584	59,587	**242,065**	224,528

Revenues are allocated based on the country in which the customer is located.

	2006	2005
Total assets		
The Netherlands	**65,958**	156,072
North America	**65,693**	67,812
Germany	**3,869**	10,541
Other Western European countries	**117,468**	13,053
Eastern Europe	**7,062**	5,196
Latin America	**6,934**	6,826
Asia/Pacific, including Middle East	**7,850**	9,674
Africa	**320**	541
Total	**275,154**	269,715

Total assets are allocated based on where the assets are located.

	2006	2005
Total liabilities		
The Netherlands	**37,733**	31,181
North America	**15,868**	19,591
Germany	**6,984**	9,979
Other Western European countries	**10,042**	8,118
Eastern Europe	**4,190**	3,184
Latin America	**1,782**	2,280
Asia/Pacific, including Middle East	**2,216**	2,683
Africa	**315**	404
Total	**79,130**	77,420

Total liabilities are allocated based on where the companies are located.

	2006	2005
Investments		
The Netherlands	**3,034**	16,205
North America	**408**	6,721
Germany	**314**	426
Other Western Eurpean countries	**484**	1,708
Eastern Europe	**79**	190
Latin America	**378**	468
Asia/Pacific, including Middle East	**181**	1,148
Africa	**8**	13
Total	**4,886**	26,879

Total investments are allocated based on the location where the investments have been made.

25 *Employee benefits*

Personnel expenses can be specified as follows:

	2006	2005
Salaries and wages	**93,407**	86,465
Social securities	**10,518**	10,370
Pension costs – defined contribution plans	**865**	757
Contribution healthcare	**4,335**	2,324
Outwork	**5,165**	3,956
Other personnel expenses	**8,197**	6,178
Total	**122,487**	110,050

The employee benefits in 2006 decreased by an amount of € 135 (2005: € 708) as a result of cost grants receivables. In 2006, Exact's average number of employees was 2,644 (2005: 2,650). As at December 31, 2006 Exact employed 2,591 (2005: 2,698) employees (full time equivalent).

As per December 31, the employees worked in the following functional categories:

	2006	2005
Support	**24%**	28%
Services	**15%**	14%
Research and development	**24%**	19%
Sales and marketing	**19%**	21%
Finance and administration	**8%**	7%
Staff	**6%**	7%
General and management	**4%**	4%
Total	**100%**	100%

During the years 2006 and 2005, the estimated personnel expenses for research and development were € 18,023 and € 15,256 respectively. Those amounts represent 14.7% and 14.4% respectively of the total personnel expenses in each of those years.

Remuneration of members of the Board of Managing Directors

in euros	**2006**	2005
Salaries and other short-term employee benefits	**886,634**	1,046,513
Termination benefits	**145,444**	210,000
Post-employment and other long-term benefits	**31,000**	0
Total	**1,063,078**	1,256,513

The remuneration of the members of the Board of Managing Directors is specified as follows for the years ended 2006 and 2005:

2006, in euros	Salary	Short-term bonus	Long-term bonus	Severance	Total
Rajesh Patel	236,554	88,020	15,500	0	340,074
Ed Kraaijenzank	137,085	35,000	0	145,444	317,529
Jim Kent	278,864	111,111	15,500	0	405,475
Total	652,503	234,131	31,000	145,444	1,063,078

Short-term bonus

The annual variable remuneration (i.e. the short-term bonus) is linked to pre-defined and measurable performance criteria that reflect Exact's short-term strategy. Eighty percent of the annual variable remuneration is dependent upon financial criteria and twenty percent on non-financial criteria. The financial criteria relate to revenue growth (achieved both organically and through acquisitions) and net profit of Exact. The ratios for the financial performance criteria for 2006 are: seventy percent is related to revenue growth and thirty percent is related to the net profit.

Based on the actual results, the pay-out ratio for the bonus was 78%, while the complete twenty percent of the non-financial criteria was ascertained as being achieved. This results in a bonus pay-out ratio of 98%. This ratio was applied to the calculation of the bonuses of Rajesh Patel and Jim Kent.

Long-term bonus

The long-term remuneration agreement directly reflects the challenging performance targets formulated in the strategic plan for the years 2006-2008. These performance targets relate, inter alia, to revenue growth and profit margin. The long-term remuneration contains a once-only conditional award of shares in 2006, whereby a maximum of 70% of the reward in shares is based on Exact's revenue in 2008 and a maximum of 30% of the award in shares is based on Exact's profit margin in 2008.
The supervisory Board prefer to use shares as a long-term remuneration instrument as these are directly interrelated with shareholders' interests. The conditional shares have a maximum value at the date of award of € 300,000 for each member of the Board of Managing Directors. 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 furter details about these will be provided in this Annual Report. The Supervisory Board will ensure that the targets are ambitious but also realistic.
As per December 31, 2006 the long-term remuneration is accounted for an amount of € 31,000 (€15,500 for each Board Member) and is recorded under the retained earnings.
The long-term remuneration plan will be settled in shares (equity-settled). The fair value is based on the share price at granting date.

2005 in euros	Salary	Short-term bonus	Severance	Total
Rajesh Patel	154,292	87,780	0	242,072
Ed Kraaijenzank	97,917	23,100	0	121,017
Jim Kent	205,809	117,021	0	322,830
Eduard Hagens	131,172	0	0	131,172
Peter van Haasteren	179,422	50,000	210,000	439,422
Total	768,612	277,901	210,000	1,256,513

Payments to members of the Supervisory Board in 2006 totaled € 110 (2005: € 110). The remuneration of the members of the Supervisory Board is not dependent upon Exact's result.

The remuneration of the members of the Supervisory Board can be specified as follows:

in euros	2006	2005
E.A.J. van de Merwe (Chairman)	**45,000**	45,000
J. de Boer	**30,000**	30,000
R.W.J.M. Bonnier	**35,000**	35,000
Total	**110,000**	110,000

At the end of 2006, the Board of Managing Directors held no option rights on shares (2005: 10,000). Movement during the year can be specified as follows:

	Issued in	Expiration in	January 1 2006	December 31 2006	Exercise price
Jim Kent	September 2001	September 2006	**10,000**	**0**	26.85
Total			**10,000**	**0**	

The options held by Jim Kent lapsed in 2006.

At year-end, the Board of Directors held the following number of shares:

	2006	2005
Rajesh Patel	**20,992**	20,992
Total	**20,992**	20,992

26 *Financial income and expenses*

The financial expenses include an amount of € 75 (2005: € 306) for foreign exchange rate differences.

27 *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 2% and 40%. Recognition of deferred income tax assets, tax losses carry forward and non deductible expenses cause the effective tax rate differs from the weighted average tax rate.

The effective tax rate, based on income before taxes, is 28.5% (2005: 28.2%).

The reconciliation between the tax charge on the basis of the weighted average tax rate and the effective tax rate can be specified as follows:

in %	2006	2005
Weighted average tax rate	**30.4**	31.3
Non-deductible expenses	**0.6**	1.3
Deferred tax assets and liabilities and tax losses carry forward	**0.0**	(5.0)
Adjustments previous years	**(0.9)**	0.0
Exempt income	**(1.9)**	0.0
Other	**0.3**	0.6
Effective tax rate	**28.5**	28.2

28 *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.

	2006	2005
Profit attributable to equity holders of Exact	**34,083**	32,033
Weighted average number of ordinary shares outstanding (thousands)	**24,032**	23,867
Basic earnings per share (€ per share)	**1.42**	1.34

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding, assuming conversion of all potential dilutive ordinary shares. The potential dilutive shares consisted of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of Exact's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2006	2005
Profit attributable to equity holders of Exact	**34,083**	32,033
Weighted average number of ordinary shares outstanding (thousands)	**24,032**	23,867
Adjustment for share options (thousands)	**3**	3
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**24,035**	23,870
Diluted earnings per share (€ per share)	**1.42**	1.34

The dividends paid in 2006 and 2005 were € 23,928 (€ 1.00 per share) and € 23,770 (€ 1.00 per share) respectively. A dividend in respect of 2006 of € 1.42 per share, amounting to a total dividend of € 34,083 shall be proposed to the Annual General Meeting on April 25, 2007. These financial statements do not reflect this dividend payable.

29 *Contingencies*

Exact has contingent liabilities in respect of 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.

At December 31, 2006, Exact had a total amount of € 1,139 (2005: € 1,466) issued for guarantees. In 2006, Exact settled an outstanding dispute with the former shareholders of one of the companies acquired in 1994. Subsequently the related bank guarantee of € 371 has been cancelled. Exact has issued a guarantee of € 113 (2005: € 113) to guarantee payment of a potential settlement of a dispute on behalf of its subsidiary Exact Software Nederland B.V. The remaining amount relates to several rental contracts.

Exact is involved in several legal cases. Management is of the opinion that the warranty provision and the provision for legal claims as per December 31, 2006 are adequate and that the final outcome of such litigation will not have a material adverse effect on Exact's financial position or results of operations. New information could influence the outcome of these cases.
Exact North America is involved in a legal dispute with one of its former distributors. The case is currently in a depository phase. Although a significant compensation is claimed, Exact believes that the case is without merit. A provision of US dollar 1.3 million was formed to cover a proposed settlement and future legal expenses.

Currently Exact is subject to a periodic tax audit by the Dutch tax authorities. The audit relates to the corporate income tax returns for the financial years 2001 – 2005.

30 *Commitments*

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

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	2005
Not later than one year	**7,774**	8,156
Later than one year and not later than five years	**11,091**	13,474
Later than five years	**3,373**	406
Total	**22,238**	22,036

31 *Related parties*

The following transactions occurred with related parties:

	2006	2005
Sale of services		
Private use of Exact's airplane	**116**	179

During 2005 and 2006, Exact's airplane has been made available to the former CEO, Eduard Hagens, at his own expense. See also note 14.

Compensation to members of key management has been included in the employee benefits disclosed in note 25.

32 *Events after the balance sheet date*

Acquisitions of Solid Data

Agreement on the acquisition of Solid Data with effect from January 1, 2007 was announced on January 3, 2007. The purchase price amounts to € 4.5 million.

33 Exact Holding N.V. and its subsidiaries

The consolidated financial statements for the year 2006 include the financial statements of Exact Holding N.V. (Delft) and the following subsidiaries:

The Netherlands

Exact Group B.V., Delft [1]

Exact Alliances B.V., Delft
Exact Corporate Services B.V., Delft
Exact Educatie B.V., Driebergen-Rijsenburg
Exact International Development B.V., Delft
Exact International B.V., Delft
Exact Maatwerk B.V., Delft
Exact Nederland B.V., Delft
Exact Netherlands B.V., Delft
Exact Online B.V., Delft
Exact Online Development B.V., Delft
Exact Retail B.V., Delft
Exact Small Business Solutions B.V., Delft
Exact Software Nederland B.V., Delft
Grote Beer Software B.V., Delft
Kooijman software B.V., Driebergen-Rijsenburg
Exact Easy Access B.V., Nijkerk (60%)
AllLicense Holding B.V., Amsterdam (70%)

Allways Information Systems B.V., Amsterdam
Allways Vastgoed B.V., Woerden

Europe

Exact Software Austria GmbH, Vienna, Austria
Exact Soft-2000 GmbH, Salzburg, Austria
Exact Belgium N.V., Brussels, Belgium [2]

Cubic N.V., Brussels, Belgium [3]

Exact Software Czech Republic, s.r.o., Prague, Czech Republic
Exact Software Denmark A/S, Copenhagen, Denmark
Exact Software France Sarl., Paris, France
Exact Holding Deutschland GmbH, Munich, Germany

Exact Software Deutschland GmbH & Co. KG, Munich, Germany
Exact HR Services Deutschland GmbH, Munich, Germany

Exact Software GmbH, Cologne, Germany
Exact DB-Soft Software GmbH, Schwanewede, Germany
Exact Software Hungary Kft., Budapest, Hungary
Exact Software Ireland Ltd., Dublin, Ireland
Exact Software Italia Srl, Cernusco sul Naviglio, Italia
Exact Software Poland Sp. Z.o.o., Warsaw, Poland
Exact Portugal Informática, Lda, Braga, Portugal (80%)
Exact Software Romania Srl., Bucharest, Romania [4]
Exact Software Slovakia s.r.o., Bratislava, Slovakia (80%)
Dimoni Software S.A., Valencia, Spain [5]
Exact Software Spain S.R.L., Madrid, Spain
Exact Software Andalucia S.L., Sevilla, Spain (70%)
Exact Software Basque Country S.L., Derio, Spain (70%)
Exact Software Noroeste S.L., Vigo, Spain (70%)
Exact Business Software (Switzerland) AG, Dübendorf, Switzerland
Exact Software (UK) Ltd., Staines, Middlesex, United Kingdom [6]
Exact Manufacturing Systems (UK) Ltd., Leichester, United Kingdom
Vanguard Solutions Ltd., Warwickshire, United Kingdom [7]

Asia

Exact Software (Shanghai) Co. Ltd., Shanghai, China
Exact Software Hong Kong, Ltd., Hong Kong
PT Exact Software Indonesia, Jakarta, Indonesia (75%) [8]
Exact Software Japan Co. Ltd., Tokyo, Japan
Exact Software (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia
Exact Asia Development Centre Sdn. Bhd., Kuala Lumpur, Malaysia
Macola (M) Sdn. Bhd., Petaling Jaya, Malaysia (80%)
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

North America, Latin America and Caribbean

Exact Holding North America, Inc., Andover, MA, United States of America

Exact Software North America, Inc., Andover, MA, United States of America
Exact Software ERP-NA, Inc., Minneapolis, MN, United States of America

Exact Alliance, Inc., Santa Barbara, CA, United States of America

Vanguard Solutions Group, Inc., Glenn Ellyn, IL, United States of America

Exact Inspired Solutions, Inc., Atlanta, GA, United States of America
Exact Software Latin America, Inc., Plantation, FL, United States of America
Exact Software Canada Ltd., Cambridge, Ontario, Canada
Exact Software Argentina S.A., Buenos Aires, Argentina (93.10%)
Exact Software Chile S.A., Santiago, Chile (87.37%)
Exact Columbia S.A., Bogotá, Colombia
Informatica y Gestión S.A., Bogotá, Colombia (70%)
    Exact Siigo de Colombia ltda, Bogotá, Colombia
    Exact Siigo de Ecuador S.A., Quito, Ecuador
    Exact Siigo del Peru S.A.C., Lima, Peru
Exact Software de Mexico S.A. de C.V., Guadalajara, Mexico
Exact Software (International) N.V., Curaçao, Netherlands Antilles [9]
    Exact Software (Antilles) N.V., Curaçao, Netherlands Antilles

Africa and the Middle East

Exact Software Maroc S.A., Casablanca, Morocco
Exact Software South-Africa (Pty) Ltd., Centurion, South Africa
Exact Software Middle East FZ-LLC, Dubai, [10] United Arab Emirates (30%)
    Exact Software Kuwait LLC, Kuwait, Kuwait (49%)

Australia

Exact Software Australia (Pty), 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.

AllLicense Holding B.V. also uses the trade name 'AllSolutions'.

Subsidiaries not important to provide an insight into the Exact group of companies as required under Dutch law are omitted from this list.

1 Unless stated otherwise, Exact Group B.V. 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 holds an interest of 100% are indented under the corporation that holds the interest in that subsidiary or a footnote will state which corporation holds the interest in that subsidiary.

2 4.862 shares of the 129.660 shares in the capital of Exact Belgium N.V. are held by Exact International Development B.V.

3 5 shares of the 24.535 shares in the capital of Cubic N.V. are held by Exact Group B.V.

4 Wholly owned subsidiary of Exact Netherlands B.V., Delft, the Netherlands.

5 Wholly owned subsidiary of Exact Holding N.V., Delft, the Netherlands.

6 Wholly owned subsidiary of Exact International Development B.V., Delft, the Netherlands.

7 Wholly owned subsidiary of Vanguard Solutions Group, Inc., Glenn Ellyn, IL, United States of America.

8 25% of the shares owned by Exact Netherlands B.V.

9 Wholly owned subsidiary of Exact Asia Development Centre Sdn. Bhd., Kuala Lumpur, Malaysia.

10 Despite having only a 30% stake in Exact Software Middle East, Dubai, Exact fully consolidates this company because it has controlling power over it.

34 Dutch GAAP company-only balance sheet As at December 31

(in thousands of euros)	Note	2006	2005
ASSETS			
Non-current assets			
Financial fixed assets	*36.2*	183,782	154,075
Property, plant and equipment	*36.3*	304	200
Total non-current assets		184,086	154,275
Current assets			
Trade receivables		0	12
Group companies		0	20,840
Corporate income tax		416	871
Other receivables	*36.4*	1,574	835
Cash and cash equivalents	*36.5*	518	960
Total current assets		2,508	23,518
Total assets		186,594	177,793
EQUITY AND LIABILITIES			
Share capital	*36.6.1*	488	488
Capital surplus	*36.6.2*	89,802	89,802
Legal reserve cumulative translation adjustment		(1,005)	2,979
Other legal reserves	*36.6.3*	119	88
Retained earnings		59,263	51,489
Net income		34,083	32,033
Shareholders' equity		182,750	176,879
Current liabilities			
Accounts payable and other liabilities		127	25
Group Companies	*36.7*	3,065	0
Other taxes and social security		147	452
Accrued liabilities		505	437
Total current liabilities		3,844	914
Total equity and liabilities		186,594	177,793

35 Dutch GAAP company-only income statement

For the year ended December 31

(in thousands of euros)	2006	2005
Income from participations in group companies after taxes	**34,022**	32,041
Other income after taxes	**61**	(8)
Net income	**34,083**	32,033

36 Notes to the Dutch GAAP company-only financial statements

36.1 Basis of preparation

Unless stated otherwise, all amounts are in thousands of euro.

The company only financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands (NL GAAP).

The accounting policies used, are almost the same as those used in the consolidated financial statements in accordance with article 362-8 of Book 2 of the Dutch Civil Code. 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 is included in the Exact Holding N.V. accounts.

A list with Exact's participations is disclosed in the consolidated financial statements on page 83 to page 84.

36.2 Financial fixed assets

The changes in financial fixed assets are as follows:

	2006	2005
Balance as at January 1	**154,075**	135,000
Dividend transfer	**0**	(17,916)
Settlement post acquisition dispute Cubic	**(331)**	0
Result from participations in group companies	**34,022**	32,041
Translation result	**(3,984)**	4,950
Balance as at December 31	**183,782**	154,075

36.3 Property, plant and equipment

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

	2006	2005
Balance as at January 1	**200**	0
Net book value inter company transfers	**30**	237
Investments	**172**	0
Depreciation	**(56)**	(26)
Disposals	**(42)**	(11)
Changes in book value	**304**	200
Balance as at December 31		
Purchase value	**455**	337
Cumulative depreciation	**(151)**	(137)
Book value as at December 31	**304**	200

36.4 Other receivables

As at December 31, 2006 the other receivables include a receivable of € 323 (2005: 232) on Eduard Hagens, former CEO of Exact. In the other receivables as at December 31, 2006 an amount of € 766 (2005: 601) for cost grants is included.

36.5 Cash and cash equivalents

As at December 31, 2006 Exact had cash balances of € 518 (2005: 960). No restrictions exist on cash.

36.6 Shareholders' equity

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Other €	Retained earnings €	Cumulative translation adjustments €	Shareholders' equity €
Balance at December 31, 2004	24,400	698	488	81,002	88	78,205	(1,971)	157,812
Effect of IAS 32/39	0	0	0	0		274	0	274
Balance at January 1, 2005	24,400	698	488	81,002	88	78,479	(1,971)	158,086
Settlement earn-out	0	0	0	0		(3,220)	0	(3,220)
Currency translation adjustment	0	0	0	0		0	4,950	4,950
Total income and expense for the year recognized directly in equity	0	0	0	0		(3,220)	4,950	1,730
Net result	0	0	0	0		32,033	0	32,033
Total income and expense for the year	0	0	0	0		28,813	4,950	33,763
Settlement earn-out	0	(330)	0	8,800		0	0	8,800
Dividend relating to 2004	0	0	0	0		(23,770)	0	(23,770)
Movement minority interest related to acquisitions	0	0	0	0		0	0	0
Balance at December 31, 2005	24,400	368	488	89,802	88	83,522	2,979	176,879

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Other €	Retained earnings €	Cumulative translation adjustments €	Shareholders' equity €
Balance at January 1, 2006	24,400	368	488	89,802	88	83,522	2,979	176,879
Settlement earn-out	0	0	0	0		(331)	0	(331)
Currency translation adjustment	0	0	0	0	0	0	(3,984)	(3,984)
Total income and expense for the year recognized directly in equity	0	0	0	0	0	(331)	(3,984)	(4,315)
Net result	0	0	0	0	0	34,083	0	34,083
Total income and expense for the year	0	0	0	0	0	33,752	(3,984)	29,768
Dividend relating to 2005	0	0	0	0	0	(23,928)	0	(23,928)
Long-term incentive plan	0	0	0	0	31	0	0	31
Balance at December 1, 2006	24,400	368	488	89,802	119	93,346*	(1,005)	182,750

* Pay out of the retained earnings will be restricted for the negative amount of the cumulative translation adjustment of € 1,005.

36.6.1 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 (2005: 24,400,405) ordinary shares issued, which are fully paid.
368,061 ordinary shares are still held in treasury by Exact, mainly with the purpose of covering the Exact group option plan (2005: 368,061). The ordinary shares held in treasury by Exact have been deducted from capital surplus at their purchase price, which equals the nominal value.
No treasury shares were transferred to exercise options nor were sold in 2006 (2005: 0).

36.6.2 Capital surplus

The movement of the capital surplus can be summarized as follows:

	2006	2005
As at January 1	**89,802**	81,002
Settlement Dimoni	**0**	8,800
As at December 31	**89,802**	89,802

In accordance with the final arbitration verdict in respect of the earn-out dispute with Dimoni Software S.A., Exact released in 2005 330,216 treasury shares to the former shareholders of Dimoni. The issuance price of these shares is considered to be € 26.65, resulting in a total value of € 8,800.

36.6.3 Other legal reserves

The legal reserve relates to the revaluation of the net assets of a subsidiary in Latin America in conformity with IAS 16 of € 88 and the share based payment for the Management Board for the long-term bonus of € 31.

36.6.4 Share-based payments

See note 19 of the consolidated financial statements for the disclosure of the share based payments.

36.7 Group companies

Payables mature within one year.

36.8 Employee benefits

See note 25 of the consolidated financial statements for the disclosure of the remuneration of Board of Managing Directors.

36.9 Earnings per share

See note 27 of the consolidated financial statements for the disclosure of the earnings per share.

36.10 Employees

In 2006 Exact's average number of employees was 24 (2005: 19). Costs related to the employees have been charged to group companies.

36.11 Contingencies

Exact has contingent liabilities in respect of 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.

At December 31, 2006, Exact had a total amount of € 584 (2005: € 998) issued for guarantees. Exact settled an outstanding dispute with the former shareholders of one of the companies acquired in 1994. Subsequently the related bank quarantee of € 371 has been cancelled. Exact has issued a guarantee of € 113 (2005: € 113) to guarantee payment of a potential settlement of a dispute on behalf of its subsidiary Exact Software Nederland B.V. The remaining amount relates to several rental contracts.

Exact Holding N.V. is the head of the fiscal unity income tax in the Netherlands, therefore it is liable for all liabilities regarding this fiscal unity. Currently Exact Holding is subject to a tax audit of its corporate income tax returns for the years 2001 – 2005.

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.

36.12 *Commitments*

Exact Holding N.V. has a software license agreement with a supplier.

The future aggregate minimum contract payments are as follows:

	2006	2005
Not later than one year	**48**	124
Later than one year and not later than five years	**0**	48
Later than five years	**0**	0
Total	**48**	172

Delft, March 28, 2007

Board of Managing Directors

R. Patel

J. Kent

Supervisory Board

E.A.J. van de Merwe (Chairman)

J. de Boer

R.W.J.M. Bonnier

37 Other information

37.1 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 2006 of Exact Holding N.V., Delft, the Netherlands as set out on pages 45 to 91. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2006, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands 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 Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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, 2006, and of 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 Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Exact Holding N.V. as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Managing Directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, the Netherlands, March 28, 2007

for Ernst & Young Accountants
/S/ H. Hollander

37.2 Provisions governing profit appropriation

The provisions governing the profit appropriation are set out in article 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 out 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 which 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 which 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 Netherlands 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 Netherlands 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.

Proposed dividend to shareholders

37.3 Profit appropriation 2005

The General Shareholders' Meeting agreed with the proposed dividend distribution of € 1.– per share for the year 2005, the remaining profit has been added to retained earnings:

in thousands of euros	
Addition to retained earnings	8,001
Available for dividend in cash (€ 1.00 per share)	24,032
Total	32,033

37.4 Proposed profit appropriation 2006

It will be proposed to the General Shareholders' Meeting that the profit for 2006 will be appropriated as follows:

in thousands of euros	
Addition to retained earnings	**0**
Available for dividend in cash (€ 1.42 per share)	**34,083**
Total	**34,083**

Forward-looking statements notice

This Annual Report contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, constitute forward-looking statements.

Forward-looking statements generally can be identified by the use of forward-looking terminology, such as ‘may’, ‘shall’, ‘will’, ‘could’, ‘should’, ‘expect’, ‘anticipate’, ‘intend’, ‘plan’, ‘believe’, ‘seek’, ‘potential’, ‘predict’, ‘continue’, ‘estimate’, ‘project’ 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 of future performance. These statements are based on our management’s beliefs and assumptions, which in turn are 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:

- General economic conditions, in particular in the markets in which we sell our products;
- Performance of 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 governmental policies, laws or regulations, or international conventions and standards, in particular those in the Netherlands, the USA and the European Union;
- The other risk factors discussed in this Annual Report, including those set forth under ‘Risk factors’.

The forward-looking statements that we make represent our judgment as of the dates on which the statements were made. With the exception of the matters required by all applicable laws of applicable jurisdictions and/or the regulations of Euronext, including the AEX Listing and Issuing Rules, we assume no obligation to update any information contained in this Annual Report. Nor do we assume any obligation 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.

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CONCEPT AND REALIZATION

C&F Report Amsterdam B.V.

PHOTOGRAPHY

Picture Report, Getty Images, Corbis, Image Bank

TEXT

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