

INTERIM FINANCIAL REPORT H1 2014

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TABLE OF CONTENTS

1. Interim Directors' Report	3
2. Condensed Consolidated Interim Financial Statements	13



A modern office interior with large glass windows and walls. Several people are seated at a long table, engaged in a meeting. The scene is brightly lit, with reflections visible on the glass surfaces. A large, semi-transparent red rectangle is overlaid on the right side of the image, containing the text.

1. INTERIM DIRECTORS' REPORT

INTERIM DIRECTORS' REPORT

STRATEGIC HIGHLIGHTS

- Divestment of Longview and Exact Lohn enhances focus on core businesses;
- Exact JobBOSS, Exact Macola and Exact MAX to support Exact Online in US market;
- Decision on use of proceeds of divestitures with full year 2014 results;
- Adjusted for divested businesses full year EBITDA guidance set at € 41 – € 44 million;
- Exact evaluates announced expressions of preliminary interest for possible public offer.

FINANCIAL HIGHLIGHTS

- Total revenues (including Longview and Exact Lohn) H1 up 1.5% to € 106.9 million, up 3.5% on operational basis ¹;
- EBITDA H1 down 6.7% to € 21.8 million;
- Higher operating expenses reflect the build-up of the cloud organization and product development during 2013;
- Net income H1 down 10.6% to € 13.7 million;
- Interim dividend amounts to € 0.60 per share consistent with 100% pay-out policy.

CLOUD SOLUTIONS: STRONG GROWTH

- Cloud Solutions revenues up 46.1% to € 13.9 million in H1;
- Annualized recurring revenues up 43.9% to € 29.2 million at the end of H1;
- 164,470 paying companies at June 30, prior quarters adjusted;
- International rollout in UK and Germany on track, US remains challenging.

BUSINESS SOLUTIONS: ENDURING HEADWIND

- Business Solutions revenues down 4.0% to € 54.6 million in H1; on an operational basis down 3.4%;
- License revenues down 7.4% to € 8.4 million in H1; on an operational basis down 6.6%;
- Subscription-based revenue amounted to € 0.3 million in H1;
- Attrition in Business Solutions amounted to 8.1% in H1; increase compared to last year reflects a base change; value contract cancellations shows favorable decline of 1.7% to € 3.2 million in H1.

SPECIALIZED SOLUTIONS: SOLID IMPROVEMENTS

- Specialized Solutions revenues down 1.4% to € 38.4 million in H1; on an operational basis up 3.0%;
- Longview divested for \$31.8 million in cash; net book gain of € 0.4 million in H1;
- Agreement to divest Exact Lohn for € 16.3 million in cash; estimated net book gain of € 14.7 million in Q3.

¹ Operational financial figures consider the impact of foreign exchange rates by translating prior year's results at current year's exchange rates.

EXACT SHARPENS STRATEGIC FOCUS

"The software industry is changing at an ever-accelerating pace. With the divestiture of Longview and Exact Lohn we are keeping up our high pace of executing our strategy and demonstrate our commitment to core activities. We will decide on the use of the cash proceeds of these divestitures with our full year results. As mentioned earlier, we have been approached by parties who have shown an indicative interest in our organization. It is too early to give any update on these approaches and possible outcome. Whatever the outcome of these discussions, we are confident about the merit of our strategy and the value it brings to our key stakeholders being our shareholders, our customers and our employees.

I am pleased with the performance of the business in the first six months of the year. The enduring strong growth of Cloud Solutions continues to be a key driver of revenue growth for Exact. Our basis in the Netherlands and Belgium is strong and offers further growth prospects. Overall, the international rollout of Exact Online is progressing well. We gain invaluable experience in each of these markets and adapt our tactics to achieve success in every new market. We are on track in the UK and see positive response from the accountancy channel. HW Fisher,

one of the leading accountancy firms in the UK, entered into a partnership with Exact to offer its SME customers cloud based integrated accounting and industry solutions. In the US we decided to lever the market presence of our existing business units. We believe that particularly Exact JobBOSS is well positioned to help Exact Online gain commercial traction. In Germany we are making steady progress and see opportunities to develop our business with some large accountancy partners.

Business Solutions license revenues continued to encounter headwinds in the second quarter this year. We did win some of the sizeable contracts which had been postponed in the first quarter. This was however not enough to offset the decline in the second quarter. Business Solution made further progress with its strategy to develop mobile functionality. In May, we launched four mobile apps related to CRM, HR self-services, expenses and a field service app.

Exact Macola, Exact MAX and Exact JobBOSS are showing good progress."

Erik van der Meijden, CEO

KEY FINANCIALS

	H1 2014	H1 2013	%	% Operational ¹
Cloud Solutions	13,933	9,535	46.1	46.1
Business Solutions	54,573	56,855	(4.0)	(3.4)
Specialized Solutions	38,350	38,900	(1.4)	3.0
Total revenue	106,856	105,290	1.5	3.5
OPEX excluding D&A	85,044	81,919	3.8	6.5
EBITDA	21,812	23,371	(6.7)	(6.7)
<i>EBITDA margin</i>	<i>20.4%</i>	<i>22.2%</i>	-	-
Depreciation and amortization	5,398	4,804	12.4	17.5
EBIT	16,414	18,567	(11.6)	(12.6)
Net finance expenses	(323)	43	nm	nm
Income tax expense	3,041	3,201	(5.0)	(3.6)
Net Income	13,696	15,323	(10.6)	(11.2)
EPS (in €)	0.60	0.67	-	-

Amounts in € thousands, unless indicated otherwise.

¹ Operational change considers the impact of foreign exchange rates by translating prior year's results at current year's exchange rates.

Accounting for discontinued operations

The key financials below include the revenues and OPEX for Longview and Exact Lohn. In the interim financial statements the financial results for Longview and Exact Lohn are presented as discontinued operations in a single line

item net of tax for an amount of minus € 8 thousand in H1 this year. Net Income line in the Key Financials equals Net Income in The Statement of Comprehensive Income in the interim financial statements.

REVENUES

Total revenue for H1 amounted to € 106.9 million, up 1.5% (operational 3.5%) compared to the same period last year.

Cloud Solutions

Cloud Solutions continued to report strong revenue growth. Online revenue in H1 amounted to € 13.6 million, an increase of 44.3%. Total revenue increased 46.1% to € 13.9 million in H1. Annualized recurring revenue from Exact Online amounted to € 29.2 million at the end of the second quarter.

During the first half of 2014 the number of paying companies increased to 164,470. The increase is particularly driven by strong sales in the Netherlands.

The number of paying companies reported at the end the first quarter was overstated by 9,398; by 4,930 at the end of 2013 and by 3,028 in the third quarter in 2013. This occurred solely in the accountancy channel in the Netherlands and did not have an impact on reported revenues. During the third quarter of 2013 Exact launched an additional modules for accountants which were mistakenly counted as paying companies. No employee benefited financially from the higher reported number of paying companies.

Business Solutions

Total revenue for H1 amounted to € 54.6 million, a decline of 4.0% (operational 3.4%) compared to the same period last year. The decline is driven by lower revenue in license and maintenance, partly offset by higher services and subscription-based revenue.

License revenue for H1 amounted to € 8.4 million, a decline of 7.4% (operational 6.6%) compared to the same period last year. We won some larger transactions in the second quarter which had been postponed in the first quarter of this year. This was not sufficient to offset the decline in the second quarter.

Business Solutions made further progress in scaling up its target market to larger companies. The new logo sales team recorded total sales of € 364 thousand (up 48%) and an average deal size of € 33.1 thousand (up >100%) in H1.

Maintenance & support revenue for H1 amounted to € 39.7 million, a decline of 4.8% (operational 4.3%) compared to the same period last year. The decrease is driven by lower license sales, migration to Exact Online, discontinuation of DOS-based products as well as regular attrition. Attrition amounted to 8.1% in H1 compared to 7.6% reported the same period last year. The increase reflects a base change which, effective 2014 no longer includes revenue from products that have been declared end-of-life. The total value of contract cancelations amounted to € 3.2 million in H1, a favorable decline of 1.7% compared to the same period last year.

Services revenue for H1 amounted to € 6.1 million, an increase of 2.9% (operational 4.3%) compared to the same period last year.

H1 subscription based sales amounted to € 40 thousand and represents a license equivalent of € 0.4 million (or 5.1% of license revenues in H1).

Specialized Solutions

Total revenue for H1 amounted to € 38.4 million, a decline of 1.4% (operational an increase of 3.0%) compared to the same period last year. The weakness of the US dollar is impacting the reported revenue from the US units.

As announced on July 1, 2014, Longview has been divested for an amount of \$ 31.8 million on June 30, 2014. The sale results in a net book gain of € 0.4 million. An amount of \$ 3.9 million will be held in escrow and is expected to be released at the end of 2015.

On July 21, 2014, Exact announced an agreement to divest Exact Lohn for an amount of € 16.3 million in cash. The transaction requires approval from the German Federal Cartel Office (Bundeskartellamt) and is expected to close in the third quarter this year. In the second quarter this year Exact Lohn recorded total revenues of € 2.5 million.

OPERATING EXPENSES

Operating expenses (excluding depreciation and amortization) for H1 amounted to € 85.0 million, an increase of 3.8% (operational 6.5%) compared to the same period last year. The increase primarily reflects the development and international expansion of our Cloud organization during 2013, which resulted in a steadily increase in the level of expenses. As indicated earlier this year, quarterly increases in expenses are projected to be smaller for the remainder of 2014 thereby enabling us to meet our EBITDA guidance.

Research and development expenses amounted to € 13.3 million in H1, representing 12.5% of reported revenues, compared to 13.2% in the same period last year. The decline in R&D expenses as percentage of revenues reflects delays experienced in the recruitment for Cloud Solutions. Capitalization of R&D expenses amounted to € 3.5 million, a decrease of € 0.1 million compared to H1 last year.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

For H1 EBITDA amounted to € 21.8 million, a decline of 6.7% (operational 6.7%) compared to the same period last year. The EBITDA increase in Q2 partly offsets the decline recorded in the first quarter this year, which is in line with management expectations. The EBITDA margin was 20.4% in H1.

EARNINGS BEFORE INTEREST AND TAX (EBIT), INTEREST AND TAX

Depreciation and amortization amounted to € 5.4 million in H1, an increase of 12.4% (operational 17.5%) compared to the prior year. Reported EBIT decreased by 11.6% (operational 12.6%) to € 16.4 million in H1 this year.

Total finance income and expenses amounted to an income of € 0.3 million in H1. This includes the book gain on the divestiture of Longview in the second quarter.

The effective tax rate amounted 18.2% in H1 compared to 17.3% in the same period last year.

NET INCOME, EARNINGS PER SHARE AND DIVIDEND

Net income attributable to shareholders amounted to € 13.7 million in H1 compared to € 15.3 million in the same period last year. The decline primarily reflects the lower level of EBIT. The pre-tax book gain on the divestiture of Longview is mostly offset by higher income tax.

Earnings per share (EPS) amount to € 0.60 compared to € 0.67 in 2013. Exact will pay an interim dividend of € 0.60 per share in cash. The interim dividend will be payable to holders of ordinary shares on August 8, 2014. The shares will trade ex-dividend on August 4, 2014 and the record date is August 6.

CASH POSITION

The cash position amounted to € 58.9 million (including cash presented as held for sale) on June 30, 2014. The decrease in cash during the first six months this year is driven by the distribution of final dividend for an amount of € 16.7 million, partly offset by cash generated through operating activities. The cash proceeds from the divestiture of Longview are recorded in the third quarter.

The average number of days sales outstanding improved to 49.0 from 54.9 in the same period last year. The reduction in account receivables and days sales outstanding is driven by a more effective credit collection process of regional credit collection teams.

OUTLOOK

Exact continues to make significant progress on the execution of its strategy for long term profitable growth. We have a strong focus on innovation, with significant investments in R&D to play into the key trends in the market. We expect Cloud Solutions to continue to grow by 30-to-50% per year in the coming years, as our customer base expands and the international rollout gains traction. For Business Solutions and Specialized Solutions, we are aiming for a low single digit growth in more mature markets. All in all, we expect to grow total revenues over time with 4 – 7% per annum.

Adjusted for divested businesses full year EBITDA guidance set at € 41 – € 44 million.

SUBSEQUENT DEVELOPMENTS

On July 11, 2014 Exact Holding N.V. announced that it was approached by parties that indicated an interest in a possible offer for all outstanding shares in Exact. Following these approaches, Exact engaged in preliminary discussions.

Consistent with their fiduciary duties, the Board of Managing Directors and the Supervisory Board of Exact is carefully evaluating these expressions of interest and will take the interests of all stakeholders, including the shareholders, into full consideration in their decision making.

At the date hereof there is no expression of interest which merits negotiations on an exclusive basis. The preliminary discussions are guiding towards the lower end of the earlier indicated range of € 30 to € 35. It is highly uncertain that a deal will be reached soon, if at all.

ADDITIONAL SEGMENT INFORMATION

Cloud Solutions

	H1 2014	H1 2013	%	% Operational
Online	13,553	9,394	44.3	44.3
Service	380	141	169.5	169.5
Total revenue	13,933	9,535	46.1	46.1
OPEX	20,596	14,728	39.8	40.8
EBITDA	(6,663)	(5,193)	-	-
EBITDA margin	(47.8%)	(54.5%)	-	-
Depreciation and amortization	1,558	825	88.8	88.8
EBIT	(8,221)	(6,018)	-	-

Amounts in € thousands, unless indicated otherwise.

	Number of paying companies 30 June, 2014	Annualized Recurring Revenues 30 June, 2014
Netherlands	145,992	26,460
Belgium	17,975	2,520
UK	304	108
Germany	170	60
Americas	29	60
Total	164,470	29,208

Amounts in € thousands, unless indicated otherwise.

Business Solutions

	H1 2014	H1 2013	%	% Operational
License	8,425	9,098	(7.4)	(6.6)
Maintenance	39,746	41,755	(4.8)	(4.3)
Service	6,064	5,895	2.9	4.3
Subscription based revenue	338	107	215.9	215.9
Total revenue	54,573	56,855	(4.0)	(3.4)
OPEX	29,874	30,603	(2.4)	(1.3)
EBITDA	24,699	26,252	(5.9)	(5.7)
<i>EBITDA margin</i>	45.3%	46.2%	-	-
Depreciation and amortization	1,764	1,886	(6.5)	(6.5)
EBIT	22,935	24,366	(5.9)	(5.6)

Amounts in € thousands, unless indicated otherwise.

Specialized Solutions

	H1 2014 Americas	H1 2014 Exact Lohn	H1 2014 Longview	H1 2014 Total	H1 2013 Total	%	% Operational
License	4,686	498	1,969	7,153	6,932	3.2	8.2
Maintenance	12,802	3,156	3,755	19,713	20,683	(4.7)	(0.7)
Service	5,031	1,370	5,082	11,483	11,285	1.8	6.4
Subscription based revenue	1	-	-	1	-	n.m.	n.m.
Total revenue	22,520	5,024	10,806	38,350	38,900	(1.4)	3.0
OPEX	14,697	4,847	10,380	29,924	32,691	(8.5)	(4.6)
EBITDA	7,823	177	426	8,426	6,209	35.7	43.5
<i>EBITDA margin</i>	34.7%	3.5%	3.9%	22.0%	16.0%	-	-
Depreciation and amortization	375	67	1,565	2,007	2,143	(6.3)	2.3
EBIT	7,448	110	(1,139)	6,419	4,066	57.9	64.3

Amounts in € thousands, unless indicated otherwise.



A modern office interior with large windows overlooking a city skyline. Several people are seated at tables, working on laptops. The scene is brightly lit by natural light from the windows.

2. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2014. Based on International Financial Reporting Standards.

2.1 CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period ended June 30, 2014 (unaudited)	¹ For the period ended June 30, 2013 (unaudited)
Online		13,553	9,394
License		13,111	13,539
Maintenance and support		52,548	55,051
Service		11,475	11,146
Subscription based		339	107
Revenue	2.5.6	91,026	89,237
Revenue-related expenses		(6,211)	(5,677)
Personnel expenses		(48,736)	(44,961)
Marketing and sales		(5,709)	(4,510)
Other operating expenses other than depreciation and amortization		(9,472)	(10,905)
Operating result before interest, tax, depreciation, amortization and impairment EBITDA		20,898	23,184
Depreciation, amortization and impairment		(3,719)	(3,091)
Operating result before interest and tax EBIT		17,179	20,093
Net finance income/(expenses)		(213)	143
Profit before tax		16,966	20,236
Income tax expense	2.5.7	(3,262)	(3,404)
Profit from continuing operations		13,704	16,832
Discontinued operations			
Profit (loss) from discontinued operations, net of tax	2.5.8	(8)	(1,509)
Profit for the year		13,696	15,323
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss:</i>			
Foreign currency translation differences of foreign operations ²		2,290	437
Other comprehensive income for the year, net of tax	2.3	2,290	437
Total comprehensive income for the year		15,986	15,760
Profit for the year attributable to:			
Equity holders of Exact	2.3	13,696	15,323
Total comprehensive income for the year attributable to:			
Equity holders of Exact	2.3	15,986	15,760
Average number of shares outstanding basic (in thousands)		22,817	22,817
Average number of shares outstanding diluted (in thousands)		22,887	22,863
Earnings per share			
Basic earnings per share (in €)		0.60	0.67
Diluted earnings per share (in €)		0.60	0.67
Earnings per share - continuing operations			
Basic earnings per share (in €)		0.60	0.74
Diluted earnings per share (in €)		0.60	0.74

Amounts in € thousands, unless indicated otherwise.

The notes on pages 18 - 28 are an integral part of these condensed consolidated interim financial statements.

¹ Comparative figures were restated to reflect the presentation of Exact Lohn and Longview as discontinued operations.

² An amount of € 2,353 was released from the translation reserve to the profit (loss) from discontinued operations. The remaining € 63 are negative translation results from continuing operations.

2.2 CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2014 (unaudited)	December 31, 2013 (audited)	June 30, 2013 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	2.5.10	8,330	9,494	10,064
Intangible assets and goodwill	2.5.11	74,919	90,018	92,210
Deferred tax assets		1,364	4,456	5,553
Long-term receivables and prepayments		3,823	966	1,587
Total non-current assets		88,436	104,934	109,414
Current assets				
Inventories		71	14	50
Trade receivables		21,037	28,536	28,532
Other receivables and prepaid expenses		25,303	5,575	6,300
Current tax assets		1,963	1,585	3,143
Cash and cash equivalents		56,539	63,990	60,947
Assets held for sale	2.5.9	4,295	-	-
Total current assets		109,208	99,700	98,972
Total assets		197,644	204,634	208,386
EQUITY AND LIABILITIES				
Share capital		488	488	488
Share premium		64,758	64,758	64,758
Reserves		13,076	17,503	18,862
Retained earnings		23,674	19,841	20,363
Shareholders' equity	2.3	101,996	102,590	104,471
Non-current liabilities				
Loans and borrowings		3,470	3,061	3,566
Provisions		963	786	560
Deferred tax liabilities		5,067	6,549	6,209
Total non-current liabilities		9,500	10,396	10,335
Current liabilities				
Deferred revenue		54,169	57,846	63,470
Provisions		2,839	2,598	3,736
Loans and borrowings		683	1,288	988
Accounts payable and other liabilities		3,712	3,976	3,932
Current tax liabilities		1,870	3,670	4,302
Other taxes and social securities		5,938	10,656	5,500
Accrued liabilities		12,239	11,614	11,652
Liabilities held for sale	2.5.9	4,698	-	-
Total current liabilities		86,148	91,648	93,580
Total liabilities		95,648	102,044	103,915
Total equity and liabilities		197,644	204,634	208,386

Amounts in € thousands, unless indicated otherwise.

The notes on pages 18 - 28 are an integral part of these condensed consolidated interim financial statements.

2.3 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Total equity
Balance at January 1, 2013	488	64,758	[341]	15,739	20,721	101,365
Profit for the year	–	–	–	–	15,323	15,323
Other comprehensive income	–	–	437	–	–	437
Total comprehensive income	–	–	437	–	15,323	15,760
Reserve for capitalized R&D	–	–	–	2,904	[2,904]	–
Dividend related to 2012	–	–	–	–	[12,777]	[12,777]
Long-term incentive plan	–	–	–	123	–	123
Balance at June 30, 2013	488	64,758	96	18,766	20,363	104,471

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Total equity
Balance at January 1, 2014	488	64,758	[3,065]	20,568	19,841	102,590
Profit for the year	–	–	–	–	13,696	13,696
Other comprehensive income	–	–	2,290	–	–	2,290
Total comprehensive income	–	–	2,290	–	13,696	15,986
Reserve for capitalized R&D	–	–	–	[6,793]	6,793	–
Dividend related to 2013	–	–	–	–	[16,656]	[16,656]
Long-term incentive plan	–	–	–	76	–	76
Balance at June 30, 2014	488	64,758	[775]	13,851	23,674	101,996

Amounts in € thousands, unless indicated otherwise.

The notes on pages 18 - 28 are an integral part of these condensed consolidated interim financial statements.

2.4 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the period ended June 30, 2014 (unaudited)	For the period ended June 30, 2013 (unaudited)
Cash flows from operating activities		
Profit before tax	16,737	18,524
Adjustments for:		
– Depreciation of property, plant and equipment	1,532	1,488
– Amortization of intangible assets	3,840	3,341
– Result of divestments	(444)	–
– Impairment loss on trade receivables	584	1,080
– Changes in provisions (excluding income taxes)	694	(2,424)
– Other non-cash items	491	(3)
Changes in:		
– Deferred revenue	5,393	3,584
– Other current assets and liabilities, excluding income tax	(4,133)	(1,476)
Cash generated from operating activities	24,694	24,114
Interest received/ (paid)	(147)	205
Taxes paid	(7,272)	(3,775)
Net cash from operating activities	17,275	20,544
Cash flows from investment activities		
Proceeds/ (outflow) of group companies disposed, net of cash	(1,259)	–
Capital expenditures on intangible assets	(3,553)	(3,731)
Capital expenditures on property, plant and equipment	(579)	(1,003)
Proceeds from disposal of property, plant and equipment	–	162
Net cash used in investment activities	(5,391)	(4,572)
Cash flows from financing activities		
Dividend paid	(16,656)	(12,777)
Payment of finance lease liabilities	(393)	(459)
Cash flow from (used in) financing activities	(17,049)	(13,236)
Net increase/(decrease) in cash and cash equivalents	(5,165)	2,736
Cash and cash equivalents at January 1	63,990	58,156
Effect of exchange rate fluctuations on cash held	46	55
Closing balance cash and cash equivalents	58,871	60,947

Amounts in € thousands, unless indicated otherwise.

The notes on pages 18 - 28 are an integral part of these condensed consolidated interim financial statements.

2.5 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.5.1 REPORTING ENTITY AND CORPORATE INFORMATION

Exact Holding N.V. is domiciled in Delft, the Netherlands. The condensed consolidated interim financial statements as at and for the six months ended June 30, 2014 comprise Exact Holding N.V. and its subsidiaries (together referred to as 'Exact') and Exacts' interests in associates.

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

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

The condensed consolidated interim financial statements were approved by the Board of Managing Directors on July 31, 2014.

Functional and presentation currency

The functional and presentation currency of Exact is the Euro. All values are rounded to the nearest thousand (€ 1,000), unless indicated otherwise. Items included in the financial statement of each of Exact's entities are measured using the currency of the primary economic environment in which the entity operates.

Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

2.5.2 BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements as at and for the six months ended June 30, 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2013.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying Exact's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013.

2.5.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by Exact in these condensed consolidated interim financial statements are the same as those applied by Exact in its consolidated financial statements as at and for the year ended December 31, 2013. Standards that became effective on January 1, 2014, did not have a material impact.

The 2013 consolidated financial statements did not include discontinued operations and related disclosures.

A disposal group qualifies as a discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs;
- Classified as held for sale or distribution or already disposed in such a way, or;
- A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

During the first half of 2014 Exact's management assessed that the carrying amount of the Longview and the Exact Lohn business units will be recovered principally through a sale rather than through continuing use. Both business units are consequently treated as disposal groups and it was also assessed that they meet the criteria for presentation as discontinued operations. Comparative figures for the first half of 2013 were restated.

As of 2013 the following change was made in the presentation of Exact's figures.

- Subscription based revenue is classified as a separate revenue line and no longer forms part of maintenance and support revenue. Resulting in a decrease of maintenance and support revenue of € 107 in the first half year of 2013.
- The allocation methodology for Global functions expenses was revised to realize an improved alignment with the actual usage by the business units. The comparative information for 2013 in the 'segment reporting' disclosure note has been restated.

2.5.4 RISK MANAGEMENT

Exact's risk management and control system provides the Management Board with an understanding of Exact's key business risks and the management practices in place to mitigate these risks.

A description of Exact's risk management practices, principal risks and how they impact Exact's business is provided in our 2013 Annual Report (pages 47-53). Exact has outlined its strategic, operational, financial and compliance risks, the risk management and control mechanisms Exact has in place as well as the risk analysis and assessments Exact conducts regularly. Exact believes that the nature and potential impact of these risks have not materially changed in the first half year of 2014. We will continue to monitor the key risks closely and manage our internal control systems as new risks may emerge and current risks may change in the second half of 2014.

2.5.5 SEASONALITY OF OPERATIONS

Exact's business is not subject to seasonal fluctuation.

2.5.6 OPERATING SEGMENTS

Based on Exact's internal management reporting to the Board of Managing Directors, the reportable segments are determined as follows: Cloud Solutions, Business Solutions, Americas, Longview and Other (Exact Lohn). Intersegment pricing is determined on an arm's length basis.

Segment information for the period ended June 30, 2014

	Cloud Solutions	Business Solutions	Americas	Longview (Discontinued)	¹ Exact Lohn (Discontinued)	Corporate	Total
Revenue	13,933	54,573	22,520	10,806	5,024	–	106,856
Operating result (EBITDA)	(6,663)	24,699	7,823	426	177	(4,650)	21,812
Operating result (EBIT)	(8,221)	22,935	7,448	(1,139)	110	(4,719)	16,414
Depreciation	513	728	121	83	57	57	1,559
Amortization	1,045	1,036	254	1,482	10	12	3,839
Impairment of property, plant and equipment and intangibles	–	–	–	–	–	–	–

Amounts in € thousands, unless indicated otherwise.

¹ The Exact Lohn operating segment was in the FY 2013 referred to as 'Other' as the comparative financial figures also included 'Orisoft', which was divested on October 9, 2012. The H1 2013 and comparative figures only include Exact Lohn.

Segment information for the period ended June 30, 2013

	Cloud Solutions	Business Solutions	Americas	Longview (Discontinued)	¹ Exact Lohn (Discontinued)	Corporate	Total
Revenue	9,535	56,855	22,847	10,514	5,539	–	105,290
Operating result (EBITDA)	(5,193)	26,252	6,593	(750)	366	(3,897)	23,371
Operating result (EBIT)	(6,018)	24,366	6,180	(2,419)	305	(3,847)	18,567
Depreciation	436	781	143	104	53	(53)	1,464
Amortization	389	1,105	271	1,564	8	3	3,340
Impairment of property, plant and equipment and intangibles	–	–	–	–	–	–	–

Amounts in € thousands, unless indicated otherwise.

¹ The Exact Lohn operating segment was in the FY 2013 referred to as 'Other' as the comparative financial figures also included 'Orisoft', which was divested on October 9, 2012. The H1 2013 and comparative figures only include Exact Lohn.

Reconciliation of reportable segment operating income

	For the period ended June 30, 2014 (unaudited)	For the period ended June 30, 2013 (unaudited)
Operating result (EBITDA) reportable segments	21,812	23,371
Elimination of discontinued operations	(914)	(187)
Operating result (EBITDA) in Statement of Comprehensive Income	20,898	23,184
Depreciation and amortization expenses	(3,719)	(3,091)
Total finance income / (expenses)	(213)	143
Profit before tax	16,966	20,236

Amounts in € thousands, unless indicated otherwise.

2.5.7 INCOME TAX EXPENSE

For the first half year of 2014 Exact's effective tax rate amounted to 19.2% (excluding discontinued operations) compared to 16.8% in the same period in the prior year.

Exact's Dutch statutory tax rate is 25%, but Exact is subject to corporate income taxes in all jurisdictions where it conducts business. The applicable statutory tax rates in these countries range from 17.0% to 40.6%. In H1 2014, the statutory tax rate differences resulted in an increase of effective tax rate of € 0.2 million (+ 1.1%) compared to € 0.2 million in H1 2013 (+ 1.3%).

Exact benefits from Dutch innovation tax facilities (the Innovation Box). For H1 2014 Exact has continued applying the Dutch Innovation Box incentive, which led to a positive effect on the effective tax rate of € 0.8 million (- 4.5%) of H1 2014 compared to € 1.2 million (- 6.3%) in H1 2013.

A part of financial income qualifies as tax exempt under the Dutch participation exemption and reduces the tax charge by € 0.6 million (- 3.4% on effective tax rate) in H1 2014 compared to € 0.6 million (- 3.3% on effective tax rate) in H1 2013.

2.5.8 DISCONTINUED OPERATIONS

In 2013 Exact's Management started to review each of these businesses critically from a strategic point of view. The key element in the evaluation was the strategic fit with the Company as a whole going forward. For Longview it was determined that there was no strong connection with the other business units. The Exact Lohn case in Germany needed more work.

During the first half of 2014 Exact's management assessed that the carrying amount of the Longview and the Exact Lohn business units will be recovered principally through a sale rather than through continuing use. In the 2014 condensed consolidated interim financial statements both business units are consequently treated as disposal groups. Management assessed that both business units meet the criteria for presentation as discontinued operations as they meet the criteria of an operating segment and follow from a single 'focus' strategy to review the business units within specialized businesses.

Longview has been divested on June 30, 2014. The consideration for the sale of Longview amounted to \$ 31,804. The sale resulted in a gain on disposal of € 444. An amount of \$ 3,900 will be held in escrow and is expected to be released at the end of 2015. On July 1, 2014 Exact received the amount of € 20,502 in cash, which was the payment of the consideration of \$31,804 for the sale of Longview minus the amount in escrow of \$ 3,900. The gain on disposal has been determined on the basis of a provisional working capital amount, which may be adjusted over a 90 days period. Also, general representations were given to Marlin on events that relate to the period that Exact was the owner of Longview. This could impact the financial results going forward, but did not give rise to the recognition of any additional provisions as per June 30, 2014.

Refer to note 2.5.9 for further details on the held for sale classification of Exact Lohn.

Results of discontinued operation

	For the period ended June 30, 2014 (unaudited)			For the period ended June 30, 2013 (unaudited)		
	Longview	Exact Lohn	Total Discontinued operations	Longview	Exact Lohn	Total Discontinued operations
Revenue	10,806	5,024	15,830	10,514	5,539	16,053
Expenses	(11,695)	(4,808)	(16,503)	(12,600)	(5,165)	(17,765)
Result from operating activities	(889)	216	(673)	(2,086)	374	(1,712)
Income tax expense	176	45	221	298	(95)	203
Results from operating activities, net of tax	(713)	261	(452)	(1,788)	279	(1,509)
Gain on sale of discontinued operation	3,132	–	3,132	–	–	–
Income tax on discontinuance	(2,688)	–	(2,688)	–	–	–
Profit (loss) for the period	(269)	261	(8)	(1,788)	279	(1,509)
Basic earnings per share	(0.01)	0.01	0.00	(0.08)	0.01	(0.07)
Diluted earnings per share	(0.01)	0.01	0.00	(0.08)	0.01	(0.07)

Amounts in € thousands, unless indicated otherwise.

Cash flows from (used in) discontinued operations

	For the period ended June 30, 2014 (unaudited)			For the period ended June 30, 2013 (unaudited)		
	Longview	Exact Lohn	Total Discontinued operations	Longview	Exact Lohn	Total Discontinued operations
Net cash from / (used in) operating activities	(3,083)	1,112	(1,971)	(1,769)	2,152	383
Net cash used in investing activities	(569)	(2)	(571)	(531)	(175)	(706)
Net cash used in financing activities	(84)	–	(84)	(84)	–	(84)
Net increase / (decrease) in cash and cash equivalents	(3,736)	1,110	(2,626)	(2,384)	1,977	(407)

Amounts in € thousands, unless indicated otherwise.

The comparative condensed consolidated statement of comprehensive income has been restated to show the discontinued operations separately from continuing operations.

Effect of disposal on the financial position of the Group

	June 30, 2014 (unaudited)
Consideration, net of selling expenses and working capital adjustments ¹	22,104
Property, plant and equipment	279
Intangible assets and goodwill	15,285
Trade receivables	5,775
Other current assets	2,339
Loans and borrowings – Current and non-current	(112)
Deferred revenue	(5,705)
Other Current liabilities	(1,242)
Net assets and liabilities	(16,619)
Release translation reserve upon discontinuance	(2,353)
Tax expenses relating to discontinuance	(2,688)
Gain on sale of discontinued operations	444
Consideration received excluding escrow, settled in cash	–
Cash and cash equivalents disposed of	(1,259)
Net cash inflow/ (outflow)	(1,259)

Amounts in € thousands, unless indicated otherwise.

¹ Net selling expenses and working capital adjustments amount to a total of € 1,255

2.5.9 DISPOSAL GROUP HELD FOR SALE

On July 21, 2014 Exact announced an agreement to divest Exact Lohn for an amount of € 16.3 million in cash. The transaction requires approval from the German Federal Cartel Office (Bundeskartellamt) and is expected to be closed in the third quarter this year.

General representations were given to Sage on events that relate to the period that Exact was the owner of Exact Lohn. This could impact the financial results going forward, but that did not give rise to the recognition of any additional provisions.

As at June 30, 2014 the disposal group comprised assets of € 4,295 less liabilities of € 4,698 detailed as follows:

	June 30, 2014 (unaudited)
Property, plant and equipment	209
Intangible assets and goodwill	59
Deferred tax assets	308
Trade receivables	1,028
Cash and cash equivalents	2,332
Other current assets	359
Deferred revenue	(3,655)
Other current liabilities	(1,043)
Total	(403)

Amounts in € thousands, unless indicated otherwise.

For the purpose of the statement of Cash flows, cash and cash equivalents comprise the following:

	For the period ended June 30, 2014 (unaudited)	For the period ended June 30, 2013 (unaudited)
Cash and cash equivalents in the statement of financial position	56,539	60,947
Cash attributable to assets held for sale	2,332	-
Cash and cash equivalents in the statement of cash flows	58,871	60,947

Amounts in € thousands, unless indicated otherwise.

2.5.10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2014 Exact made investments in fixed assets for a total amount of € 1.0 million (H1 2013: € 1.3 million).

2.5.11 INTANGIBLE ASSETS AND GOODWILL

R&D expenditures decreased by € 0.5 million to € 13.3 million from € 13.8 million. Capitalization of R&D expenses amounted to € 3.5 million (H1 2013: € 3.6 million).

Impairment tests for goodwill

Goodwill is tested for impairment annually as per December 1, irrespective of whether there is any indication of impairment and when circumstances indicate that the carrying value may be impaired. The key assumptions used to determine the recoverable amount for the different CGU's were disclosed in the consolidated financial statements as at and for the year ended December 31, 2013. There were no indications for impairment during the first six months ended June 30, 2014. Consequently, no impairment tests were performed.

2.5.12 CAPITAL AND RESERVES

	June 30, 2014 (unaudited)	June 30, 2013 (unaudited)
Dividends on shares declared and paid during the six-month period: final dividend for 2013: € 0.73 per share (2012: € 0.56 per share)	16,656	12,777
Interim dividends on shares proposed for approval (not recognized as a liability as at June 30, 2014): earnings per share for H1 2014: € 0.60 per share (H1 2013: € 0.67 per share)	13,696	15,323

Amounts in € thousands, unless indicated otherwise.

2.5.13 CONTINGENCIES

In the six months ended June 30, 2014 there were no material changes to Exact's commitments and contingent liabilities from those disclosed in the consolidated financial statements as at and for the year ended December 31, 2013.

discussions are guiding towards the lower end of the earlier indicated range of € 30 to € 35. It is highly uncertain that a deal will be reached soon, if at all.

Refer to note 2.5.9 for further details on the disposal of Exact Lohn.

2.5.14 SUBSEQUENT EVENTS

On July 11, 2014 Exact Holding N.V. announced that it was approached by parties that indicated an interest in a possible offer for all outstanding shares in Exact. Following these approaches, Exact engaged in preliminary discussions.

Consistent with their fiduciary duties, the Board of Managing Directors and the Supervisory Board of Exact is carefully evaluating these expressions of interest and will take the interests of all stakeholders, including the shareholders, into full consideration in their decision making.

At the date hereof there is no expression of interest which merits negotiations on an exclusive basis. The preliminary

2.5.15 RELATED PARTY TRANSACTIONS

There is a related party relationship between Exact Holding N.V. and its subsidiaries, their managing directors and the Supervisory Board. All transactions with related parties are conducted at arm's length.

2.5.16 ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

Fair values and carrying amounts

Set out below is a comparison by category and fair values of all of Exact's financial instruments that are carried in the financial statements as at June 30, 2014.

Fair values and carrying amounts

June 30, 2014	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Assets				
Long-term receivables ¹	3,470	–	3,470	3,470
Trade and other receivables ²	42,410	–	42,410	42,410
Cash and cash equivalents	56,539	–	56,539	56,539
Total	102,419	–	102,419	102,419
Liabilities				
Finance lease liability ³	–	4,153	4,153	4,153
Accounts payable and other liabilities	–	3,712	3,712	3,712
Accrued liabilities	–	12,239	12,239	12,239
Total	–	20,104	20,104	20,104

Amounts in € thousands, unless indicated otherwise.

¹ Long-term receivables comprise an amount of € 2,857 held in escrow in relation to the divestment of the Longview business unit.

² Other receivables amount to € 21,373 and are included in the line item 'other receivables and prepaid expenses'.

³ The Finance lease liability is presented in the line 'Loans and borrowings' (current and non-current).

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

- Cash and cash equivalents, trade and other receivables, accounts payable and other liabilities approximate their carrying amount largely due to the short-term nature of these instruments.
- Long-term receivables are evaluated based on parameters such as interest rates and individual creditworthiness of the vendor.

As June 30, 2014 the carrying amount of the long-term receivables approximates their fair value.

Fair value hierarchy

As at June 30, 2014 Exact had no financial instruments carried at fair value.

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

Level 1: quoted (unadjusted)

prices in active markets for identical assets or liabilities.

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

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

There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six months ended 30, June 2014.

2.5.17 AUDITOR'S INVOLVEMENT

This Interim Financial Report has not been audited or reviewed by our external auditor.

2.5.18 DIRECTORS' RESPONSIBILITY STATEMENT

The members of the Board of Managing Directors', as required by section 5:25d paragraph 2 under c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), confirm that to the best of their knowledge:

1. the condensed consolidated interim financial statements for the six months ended June 30, 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of Exact Holding N.V. and its consolidated companies, and
2. the Interim Financial Report of the Board of Managing Directors for the six months ended June 30, 2014 gives a fair view of the information required pursuant to section 5:25d, subsection 8 and subsection 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Delft, July 31, 2014

The Board of Managing Directors

Erik van der Meijden, *CEO*

Onno Krap, *CFO*

Hartmut Wagner,

Managing Director Cloud Solutions

Marinus ter Laak,

Managing Director Business Solutions

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This document contains certain statements and expectations that are forward looking, and which are based on information and plans that are currently available. By their nature, such forward looking statements and expectations generate risk and uncertainty because they concern factors and events in the future and depend on circumstances which may not occur.

Unforeseen factors that could influence the statements and expectations may for instance be changes in expenditure by companies in

the markets we operate in; economic, political and foreign exchange fluctuations; possible statutory changes; changes in salary levels of employees; future take over and divestitures.

Exact can therefore not guarantee that such statements and expectations are accurate and complete, nor that such statements and expectations will be realized. Actual results may differ materially. Exact refuses to accept any obligation to update statements made in this document.

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