Annual Report 2007
Exact Holding N.V.

Highlights 2007

Since 2006 Exact has been executing a clear and concise strategic plan in order to drive profitable growth. The fruits of diligent execution have been seen over the last 24 months and especially in 2007. In terms of organic growth we are on track and in 2007 we executed our largest acquisition in history. I am very satisfied with the results and our execution, which demonstrate that we have made the right choices and decisions.

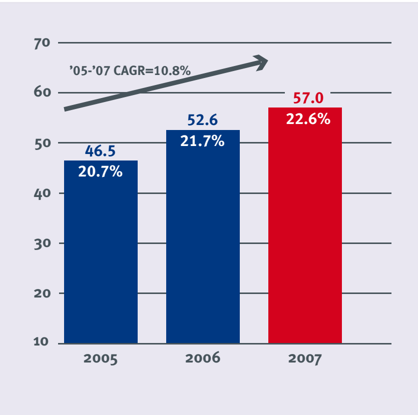
Raj Patel, CEO Exact Holding N.V.

Highlights

- Total revenue at constant currencies up 6.3% to € 257.4 million
- Organic[1)] license revenue growth of 7.5%
- Exact Synergy revenue growth of 18.5%
- Organizational realignment and continued operational leverage driving EBIT margin
- Net income increased by 13.7%
- EPS increased by 12.0%
- Proposed final dividend payout of € 0.83 per share, amounting to total dividend 2007 of € 1.59, representing a 100% payout of net income

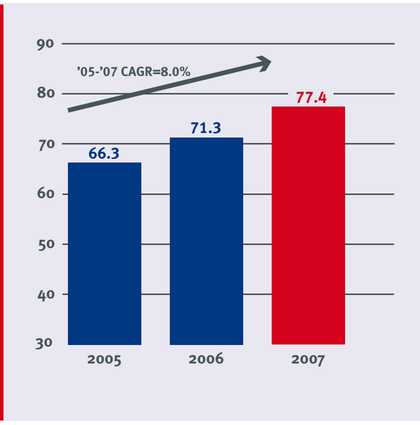
	2007	2006	
Total revenue	€ 252.1 mln	€ 242.1 mln	↑
EBIT margin	19.8% [2)]	19.0%	↑
Net Income	€ 39.1 mln	€ 34.4 mln	↑
EPS	€ 1.59	€ 1.42	↑

KEY PERFORMANCE INDICATORS 2005-2007



EBITDA
(in millions of euros)

License Revenue
(in millions of euros)



1) Organic revenue growth is defined as revenue development at constant currencies excluding the contribution of acquisitions.
2) Excluding a one-off charge to settle a legal case in the USA the EBIT margin amounts to 20.5%.

Key Figures

(in thousands of euros)	2007	Change	2006	2005	2004	2003[1]	2002[1]
Revenues							
Licenses	**77,399**	8.5%	71,351	66,347	65,035	60,267	64,382
Maintenance	**125,213**	1.2%	123,780	119,772	117,782	117,178	119,701
Services	**49,497**	5.5%	46,934	38,409	29,577	28,953	29,899
Total Revenue	**252,109**	4.1%	242,065	224,528	212,394	206,398	213,982
EBITDA	**57,036**	8.5%	52,583	46,500	56,697	55,249	53,227
Operating income (EBIT)	**49,792**	8.5%	45,909	40,788	50,265	41,595	38,819
Net income	**39,112**	13.7%	34,390	32,010	39,579	32,247	26,657
Operating cash flow	**48,627**	16.8%	41,616	32,456	42,120	32,258	37,710
Employees (FTE)							
Average number of employees	**2,609**	(1.3%)	2,630	2,650	2,153	2,025	2,054
Number of employees at year end	**2,682**	3.5%	2,591	2,698	2,318	1,987	2,055
Balance sheet facts							
Total assets	**275,024**	(2.1%)	280,648	276,123	238,538	214,260	205,189
Short term investments, cash and cash equivalents	**69,031**	(46.0%)	127,813	117,585	130,109	111,213	80,191
Total equity	**165,643**	(10.3%)	184,703	178,578	158,568	155,853	126,890
Net working capital (including cash)	**42,212**	(60.1%)	105,893	93,792	105,785	104,195	60,299
Ratios (%)							
EBITDA margin	**22.6%**	0.9 pts	21.7%	20.7%	26.7%	26.8%	24.9%
EBIT margin	**19.8%**[2]	0.8 pts	19.0%	18.2%	23.7%	20.2%	18.1%
Net income margin	**15.5%**	1.3 pts	14.2%	14.3%	18.7%	15.6%	12.5%
Current ratio (including cash)	**1.5**	(36.1%)	2.3	2.2	2.5	3.0	1.9
Return on equity	**22.1%**	3.1 pts	19.0%	19.1%	27.0%	20.5%	23.0%
FIGURES PER SHARE							
Average number of shares outstanding (in thousands)							
Basic	**24,032**		24,032	23,867	23,663	23,490	23,372
Diluted	**24,032**		24,035	23,870	23,668	23,513	23,481
Earnings per share in (in euros)							
Basic	**1.59**	12.0%	1.42	1.34	1.68	1.37	1.14
Diluted	**1.59**	12.0%	1.42	1.34	1.68	1.37	1.14
Share price at year end	**€ 24.77**	1.2%	€ 24.48	€ 23.82	€ 21.95	€ 21.10	€ 12.40
Dividend per share	**€ 1.59**	12.0%	€ 1.42	€ 1.00	€ 1.00	€ 0.75	€ 0
Dividend return (based on year-end share price)	**6.4%**	0.6 pts	5.8%	4.2%	4.6%	3.6%	–

1) The years 2002 and 2003 reported in Dutch Generally Accepted Accounting Principles

2) Excluding a one-off charge to settle a legal case in the USA the EBIT margin amounts to 20.5%.

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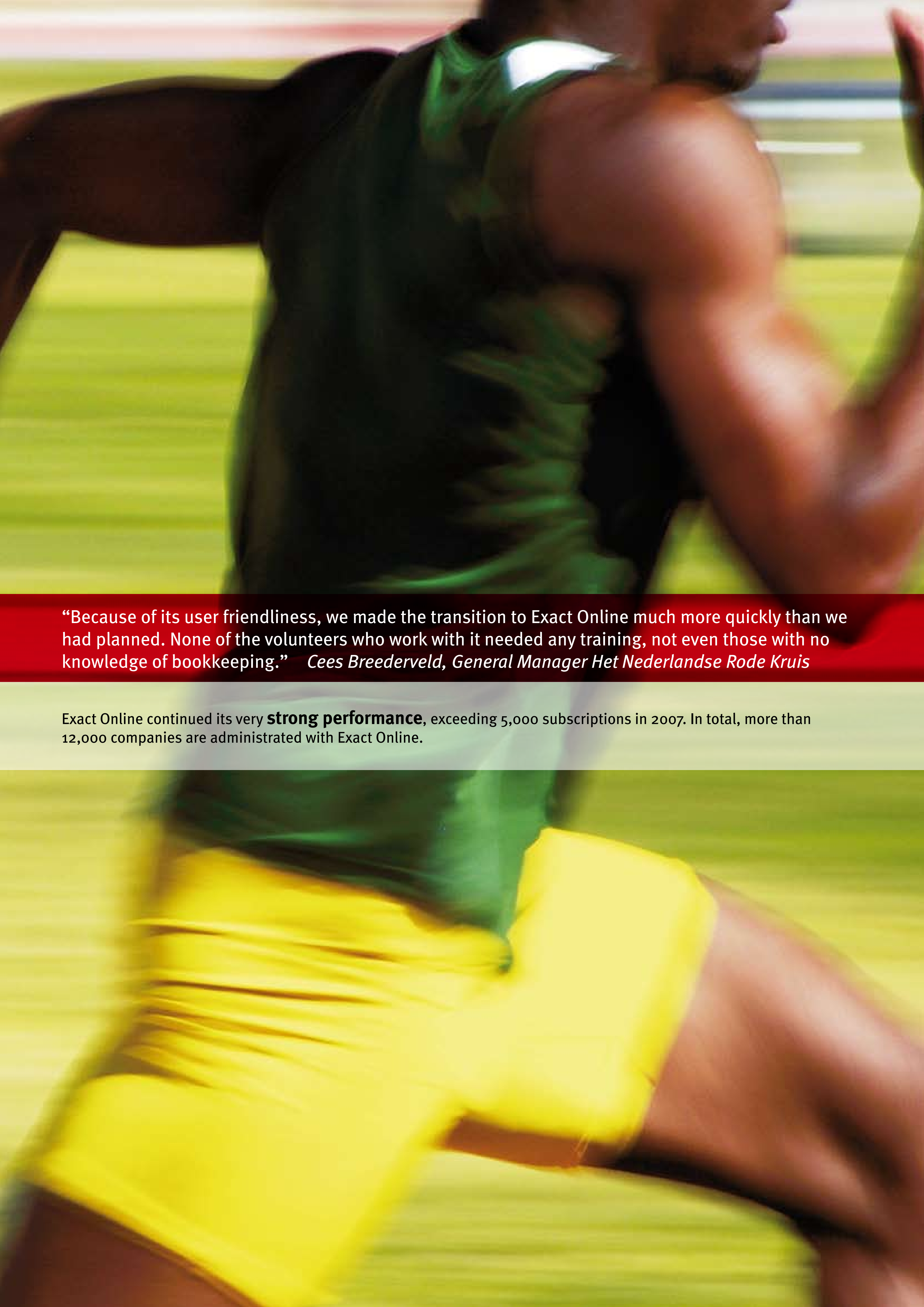


"Because of its user friendliness, we made the transition to Exact Online much more quickly than we had planned. None of the volunteers who work with it needed any training, not even those with no knowledge of bookkeeping." *Cees Breederveld, General Manager Het Nederlandse Rode Kruis*

Exact Online continued its very **strong performance**, exceeding 5,000 subscriptions in 2007. In total, more than 12,000 companies are administrated with Exact Online.

Letter from the CEO

Dear customers, shareholders, colleagues and partners,

Exact has recorded yet another great year of financial results in 2007 with solid growth coming from our regions across the globe. Sound organic license growth, continued growth of our maintenance revenues and consistent growth of our services revenue have been achieved by strong and continuous execution of our strategic plan, defined just over two years ago.

In addition to these credentials Exact has continued to deliver increasing profitability levels, demonstrating continued operational leverage. This sound strategy positions Exact as a key player in the global SMB market. I am confident that with our strategic plan, our focused execution, our global coverage and our solid product portfolio, we are well-positioned to capture the opportunities in this growing market.

Taking into account that we started to implement our strategic plan just two years ago, I am very satisfied with the results. The initial fruits of our choices, decisions and execution are visible and I am confident that this plan will continue to drive value to all Exact's stakeholders and to underline our commitment to deliver overall shareholder value. In our Annual General Meeting of Shareholders in April 2008, the Board will again reiterate its commitment to a sound dividend and will again propose a 100% payout of net earnings.

During 2008 we will continue to diligently execute its three point strategic plan (protect, grow and acquire) ensuring continued organic license revenue growth and the growth of our maintenance revenues. As an integral part of our plan we will continue to seek acquisition opportunities to drive continued scale. Based on our continued execution, we have given for 2008 an outlook of 7-9% organic license revenue growth and an EBITDA margin of 24%. This confirms our confidence in continued growth, operational leverage and is a firm commitment to overall shareholder value. This outlook is subject to no material changes in the economic climate. In the event such changes materialize, the Board of Managing Directors will assess potential impact and provide the market with an update.

These credentials, our results and our clear ambition to be a key player in the global SMB market would not be feasible without our customers, our partners, our shareholders and most importantly our highly skilled, valuable and passionate employees.

I also would like to thank our works councils for the continued excellent relationship.

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 profitable growth in the coming years.

Yours truly,

Raj Patel

Delft, April 4, 2008

2. Company Profile

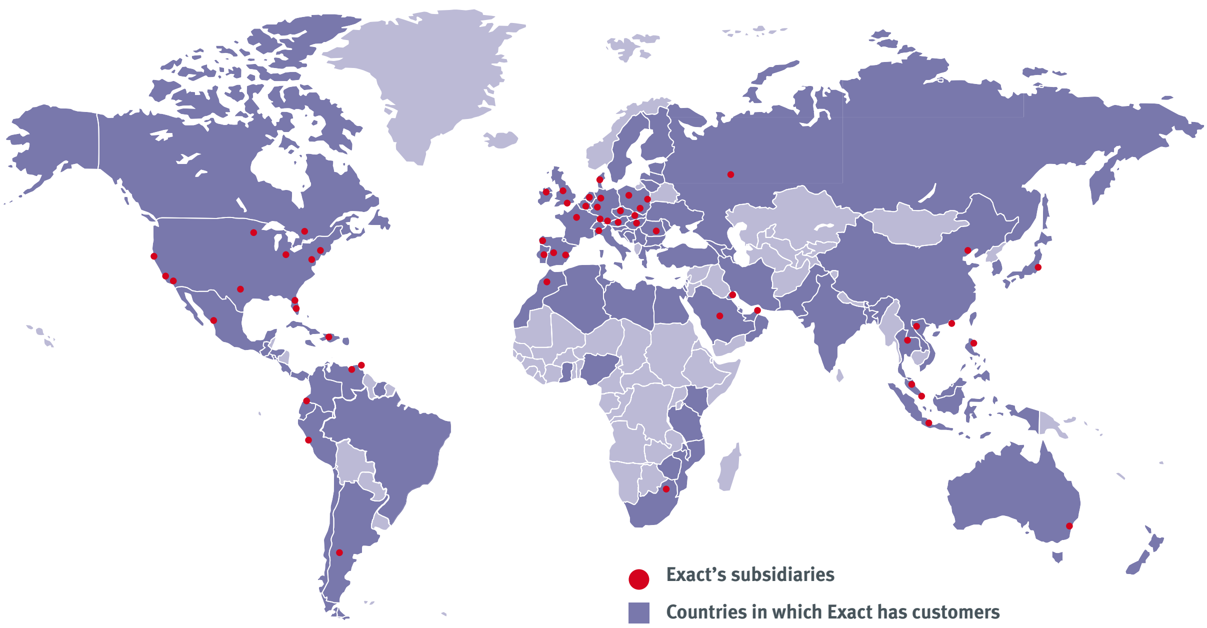
2. Company Profile

2.1 About Exact Software

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), corporate performance management (CPM), project management and electronic workflow.

Exact is headquartered in Delft, the Netherlands and has offices in Europe; the Middle East; North, Central and South America; Asia; Australia and Africa. With around 2,750 employees, subsidiaries in more than 40 countries, and solutions available in 40 languages, Exact currently serves customers in more than 125 countries.

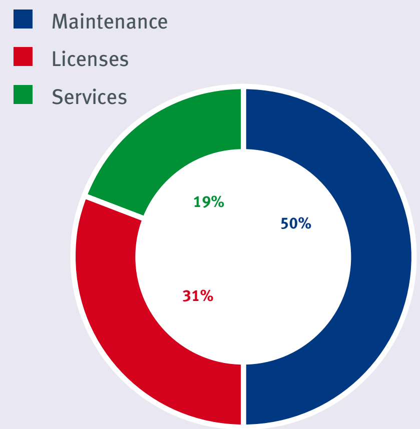
Exact Holding N.V. has been listed on Euronext Amsterdam since June 1999.



Exact's business model is based on providing customers with software licenses and related services leading to the following revenue streams:

Software licenses	Revenue generated from perpetual license fees generated on initial software sales and for subsequently sold add-ons
Services	Revenue generated from consulting, implementation, project management and training services typically charged on a time and material basis
Maintenance	Revenue generated as annual recurring fees based on maintenance contracts covering customer support and product maintenance including updates of existing installed products

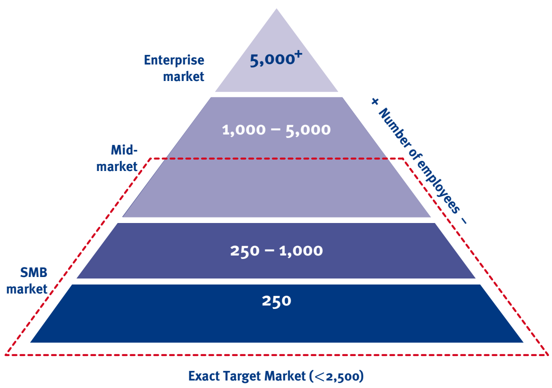
Revenue 2007 by category



2.2 Market Space

Exact is focused on delivering business software solutions to the SMB market, which comprises small and medium-sized businesses.

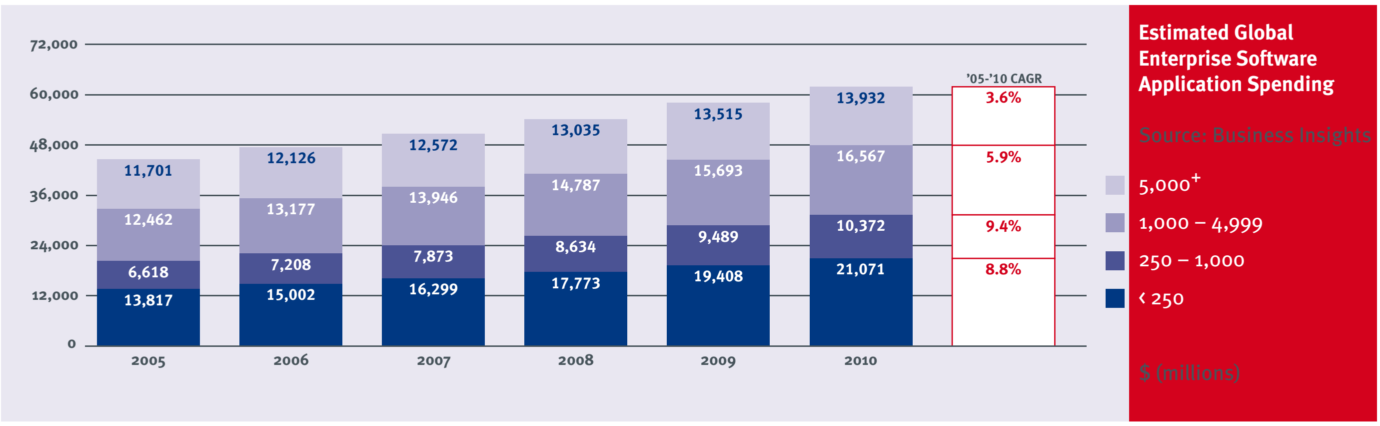
Including the lower end of the traditional mid-market, the core target market of Exact is organizations with up to 2,500 employees. This includes traditional small to medium-sized businesses but also small and medium-sized subsidiaries of larger international companies.



Exact defines the enterprise software application market as encompassing both traditional ERP and related software solutions such as HRM, customer relationship management (CRM), project management, electronic workflow and business analytics.

Traditionally the enterprise software application market has been dominated by the demand of large companies and limited attention has been paid to the SMB segment. The higher end of the enterprise software market space has reached a high level of saturation and is expected to offer limited growth opportunities in the coming years.
In combination with an increasing demand from companies with up to 1,000 employees, the SMB segment is expected to be the fastest growing segment in the enterprise software application market.

Exact therefore operates in the most attractive segment of the enterprise software application market in terms of market demand and growth opportunities.



2.3 Customer Characteristics

Customers within Exact's target market have specific requirements and purchasing characteristics that are substantially different from those in the high-end market and that also require a different market approach and infrastructure.

SMBs have unique requirements and IT purchasing characteristics:

- Limited in-house IT resources
- Preference for single software vendor relationship
- Rapid time to value required
- Comprehensive support requirements

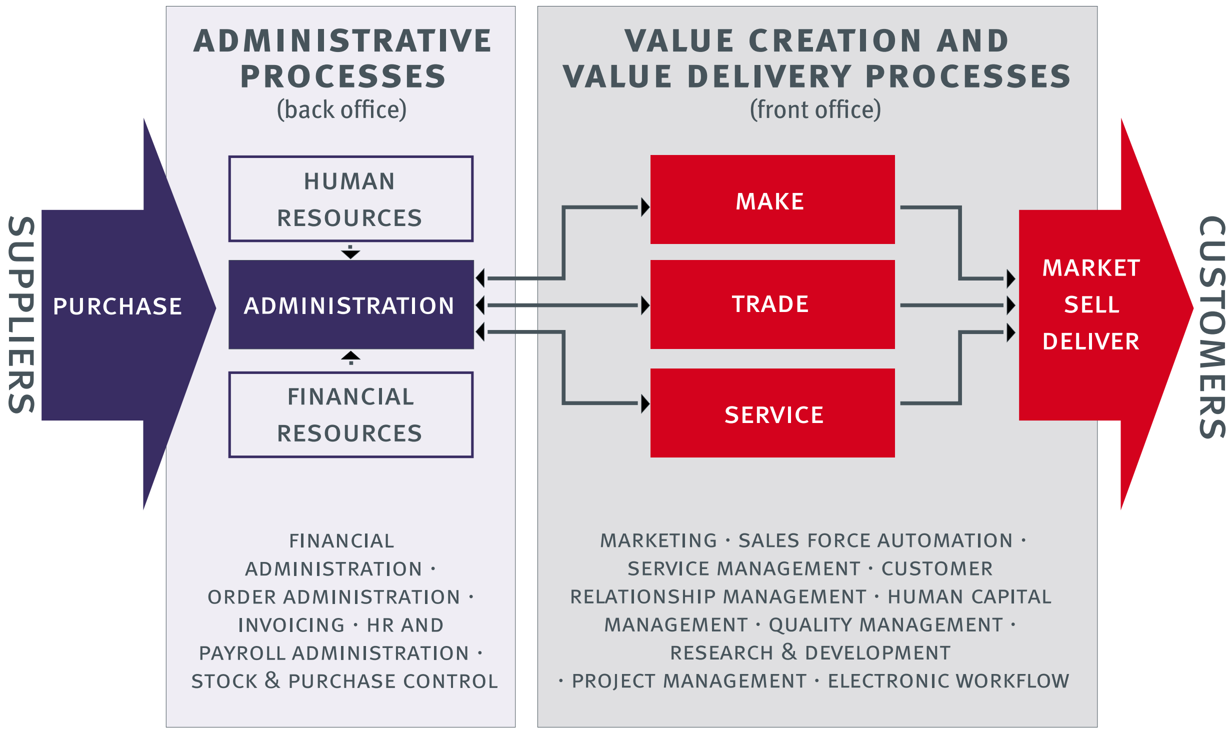
SMB customers seek long-term relationships with vendors that can support current and future IT requirements; vendor reputation and stability are key.

SMBs face a range of competitive pressures that drive their IT purchasing:

- Increasing global competition
- Credible IT presence required
- Collaboration and agility is critical
- Generational shifts

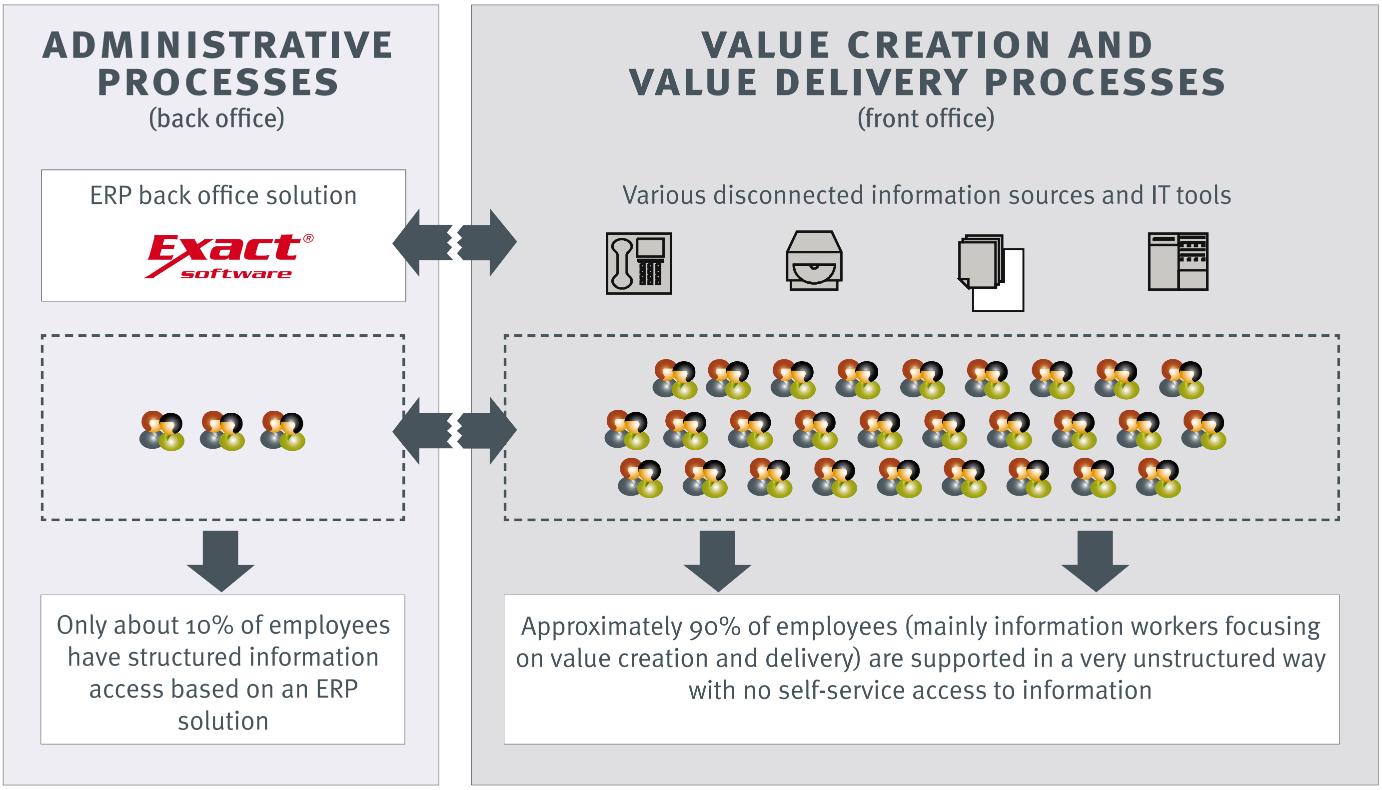
While traditional back office automation has largely been addressed, SMBs increase their focus on front office solutions in order to react to new competitive factors.

Historically, vendors focused on automating administrative processes based on traditional ERP solutions. Today, most small and medium-sized companies address simple back office automation with traditional ERP software. Therefore, additional investments are mainly focused on extensions and enhancements to better leverage existing investments; new investments are, to a large extent, replacements.



This limited focus on supporting value creation and value delivery processes in the front office has had the following consequences:

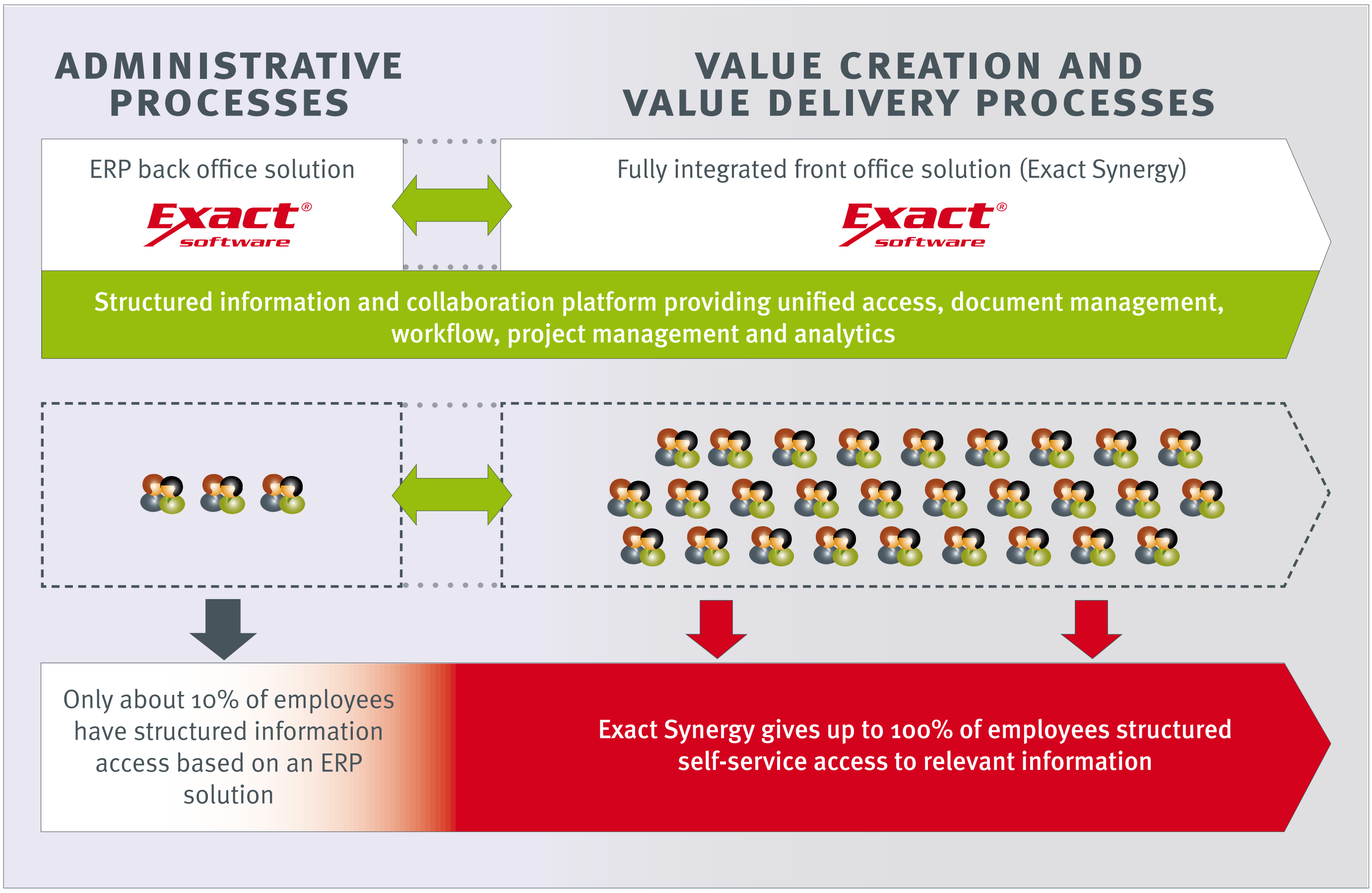
- Value-creating functions are mainly performed manually or with multiple disconnected IT tools, leading to multiple data entries and in turn resulting in redundant data and poor information quality.
- Information is stored on local hard disks or in filing cabinets, leading to limited access to relevant information and high dependency on individuals.
- Lack of internal connectivity and process integration between back office and front office and within the front office results in inefficient communication and collaboration, leading to additional overhead and excess costs.
- Key external relationships (customers, vendors, suppliers) lack a comprehensive tool to drive collaboration between companies based on process integration.



As a result, SMBs are increasing their focus on advanced front office software tools in order to better support value creation and delivery processes within the organization.

2.4 Mission and Value Drivers

Exact's mission is to provide fully integrated business solutions to small to medium-sized companies that give all employees and stakeholders real-time access to relevant information. Increasing access to information as well as the integration of business processes throughout the company and across the value chain enable our customers to not only automate administrative processes but to facilitate value creation and value delivery processes.



Based on the combination of Exact's ERP back office solutions and its fully integrated front office solution Exact Synergy, up to 100% of employees and even external stakeholders get structured and controlled self-service access to relevant information.

- Centrally stored information - independent of department, individual, or process – empowers individuals to leverage key information throughout and beyond the organization.
- Improved quality of information enables a faster and better decision making process.
- More efficient communication and collaboration leads to reduced overhead costs and increased efficiency of teams.

Based on its integrated solution framework for SMB customers, Exact drives customer value beyond the automation of business administration and enables real Business Empowerment:

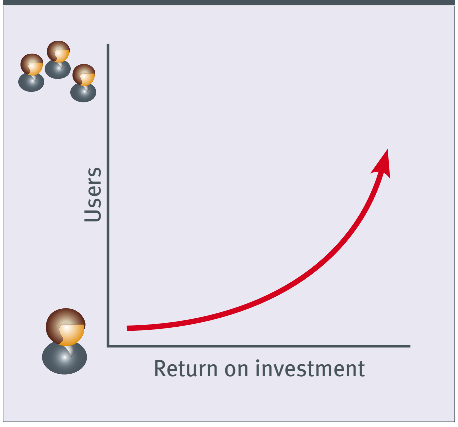
- A strong focus on value creation and value delivery enables companies to be more competitive and provides full control over back and front office processes.
- The integration of all resources and business processes enables a seamless and more efficient business flow.
- Integrating key external relationships (customers, vendors, suppliers) in the customers enterprise information system facilitates SMBs as member of their business community.

"Exact Synergy truly set Exact apart. We saw immediately that it could seamlessly tie our front and back office together. None of the other vendors we evaluated could do that."
Ryan Fernandez, President & CEO Boon Inc

With 18.5% revenue growth in 2007, Exact Synergy is the main driver for organic license revenue **growth**.

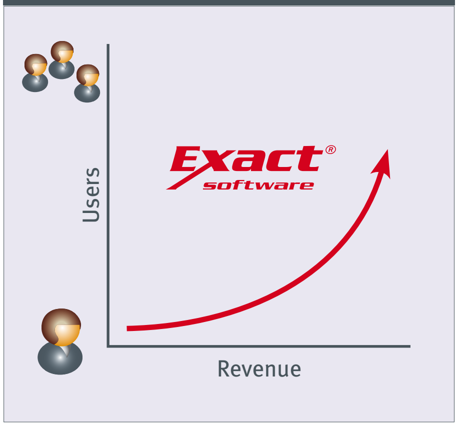
An increasing penetration of the customer's employee base with Exact Synergy leads to incremental returns on investment, creating a win-win scenario for both parties. This drives not only value for customers and Exact, but ultimately also for all stakeholders.

Customer value drivers



- Improved collaboration
- Efficient business processes
- Accurate information flow
- Enhanced decision support
- Increased employee productivity and satisfaction

Exact value drivers



- New license revenue from additional users
- Additional services revenue
- Incremental recurring maintenance revenue
- Strengthening Exact's position as trusted partner versus a commodity vendor

Exact Synergy gives up to 100% of employees structured self-service access to relevant information.

2.5 *Strategy*

Based on its strong heritage in the traditional ERP market and the attractive market opportunities in the SMB segment, Exact realigned its strategy in 2005 and defined a three-point strategic growth program: **Protect, Grow, Acquire**.

Exact's strategy is designed to maximize the value of its current operational strengths and leverage its assets to drive further organic and acquisition-based growth opportunities.

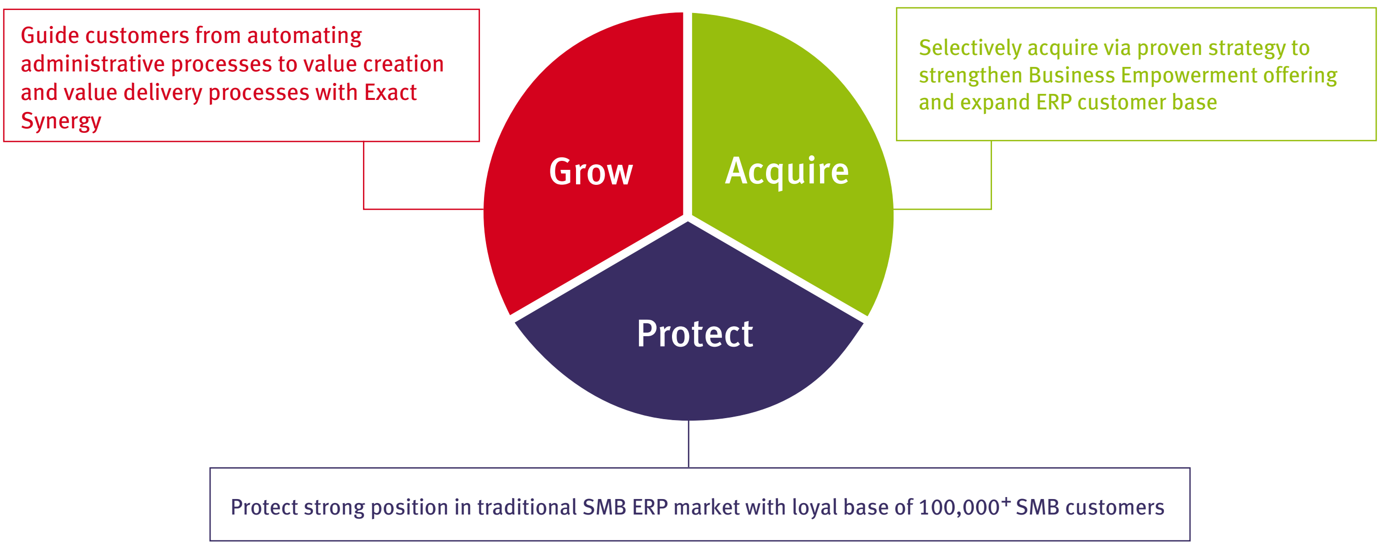
Since the beginning of 2006, Exact has been executing its strategic plan to drive continued growth - organically as well as through acquisitions - and profitability for the coming years.

TRADITIONAL ERP BUSINESS ('PROTECT')

Today, most small and medium-sized companies address simple back office automation with traditional ERP software, and are increasing their focus on advanced front office software tools in order to better support value creation and delivery processes within the organization. Therefore, additional investments are mainly focused on extensions and enhancements to better leverage existing investments. New investments are, to a large extent, replacements. This trend is reflected in low single-digit growth of the traditional ERP market globally.

As a result, Exact's core focus is to protect its leading position in the traditional ERP market. This is key for the company's strong cash generating capacity, and the foundation for strong growth in solution areas beyond traditional ERP. Balanced investments in Exact Globe and Exact's local ERP product offerings ensure that license revenue generation remains high, and continuous product improvements further improve customer satisfaction and extend the life cycle of the customer's investment.

Continued focus on customer intimacy and high service levels have resulted in a further increase of both customer satisfaction and renewal rates for maintenance contracts.



PARENTING STRATEGY

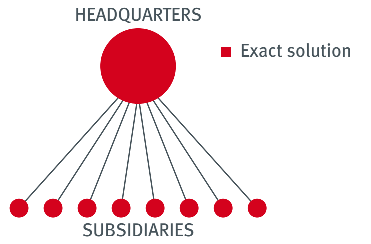
Exact's unique Parenting Strategy successfully focuses on a very attractive niche of the ERP market. Small and medium-sized subsidiaries of international companies have similar requirements to traditional SMBs and can be targeted worldwide based on Exact's unique global distribution and service infrastructure in 40 countries.

- One standard product globally available in more than 40 languages and legislations
- Full suite ERP solution designed for small to medium-sized organizations
- Supported by a network of self-owned subsidiaries in 40 countries
- Service infrastructure optimized for, and committed to, international companies

Two target market segments are successfully served based on a unique set of propositions:

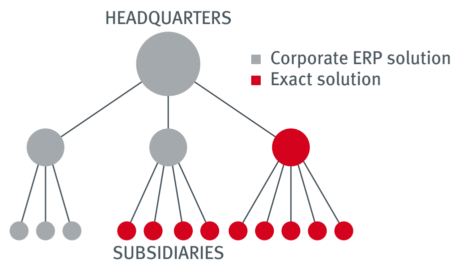
Small to medium-sized internationals

Exact enables small to medium-sized international organizations to deploy a single-tier ERP solution across all affiliates, creating enterprise-wide integration and real-time information.



Large multinationals

Exact supports large multinationals in establishing a second-tier ERP solution for small to medium-sized subsidiaries - as a completion to their first-tier ERP solution (e.g. SAP or Oracle) for larger and more complex operations.



ORGANIC GROWTH DRIVER EXACT SYNERGY ('GROW')

Historically vendors focused on automating administrative processes, resulting in most small and medium-sized companies having addressed simple back office automation with traditional ERP software. In order to better support value creation and delivery processes within the organization, SMBs are now increasing their focus on advanced front office software tools.

Exact Synergy is a fully integrated, browser-based front office solution that works in conjunction with traditional ERP applications and enables customers to not only automate administrative processes but to facilitate value creation and value delivery processes.

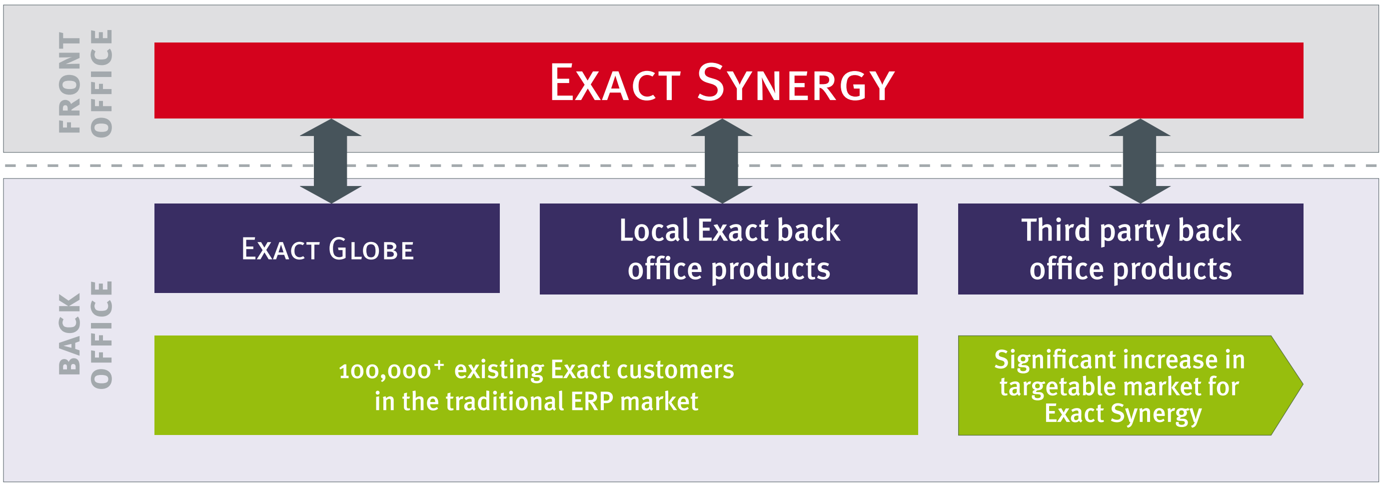
- It offers a platform for online communication and collaboration through which it facilitates sharing information among all resources in and around an organization.
- It focuses on automating value creation and delivery processes and covers solution areas such as HRM and CRM as well as document, workflow and project management.
- Based on the combination of Exact's ERP back office solutions and its fully integrated front office solution Exact Synergy, up to 100% of employees and even external stakeholders get structured and controlled self-service access to relevant information.

Based on its strong market position and customer base in the SMB ERP market, Exact's major organic growth driver is its integrated front office solution Exact Synergy.

- Based on the seamless integration between Exact Globe and Exact Synergy, existing Exact Globe customers can quickly expand their solution into value creation and value delivery processes.
- The integration of local Exact back office products with Exact Synergy provides existing customers with additional value and further reinforces customer retention.
- Industry-specific templates in the main solutions areas CRM, HRM and business process management attract new stand-alone customers.
- A strong focus on improving connectivity capabilities based on the latest Microsoft .NET platform allows an increased focus on selling Exact Synergy on top of third party ERP products. This results in a significantly larger target market for Exact Synergy.

“Initially PCM rolled out Exact Synergy to just 50 users, but over the the last few months, we have also gone ahead with the self-service portal (2,600 users), followed by a CRM project (300 users).”
Peter Stadhouders, Directeur Sociale Zaken PCM Uitgevers B.V.

In addition to initial sales of Exact Synergy licenses and follow-on sales, penetration of the **employee** base within the company has increased substantially.



ACQUISITIONS ('ACQUIRE')

To facilitate its Business Empowerment strategy, Exact has defined a clear acquisition strategy to strengthen its Business Empowerment offering and further expand its ERP customer base with the following three types of acquisition targets:

TECHNOLOGY ACQUISTIONS

The main focus of technology acquisitions is to deepen or extend functionalities of Exact 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.

BUSINESS PARTNER ACQUISITIONS

The acquisition of existing business partners in selected markets supports customer retention and accelerates organic growth via additional sales and services resources and capabilities. At the same time such acquisitions are used to strengthen the distribution footprint of Exact in a specific country or region.

CUSTOMER BASE ACQUISITIONS

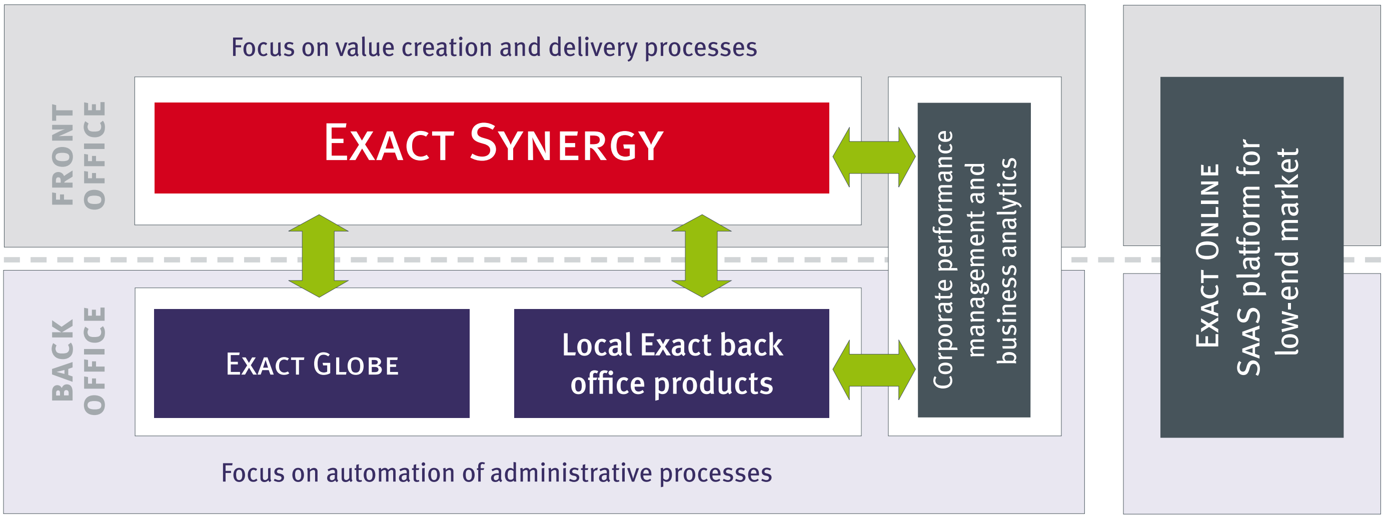
Local brands with a stable and mature ERP offering and a substantial and loyal customer base provide cross-selling opportunities to drive organic growth. Seeking to better leverage existing investments to extend their application life cycles, the customer base can be leveraged with Exact Synergy. Furthermore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

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 successful execution and integration of acquisitions is ensured by cross-functional, project-based Merger & Acquisition teams based on a clearly defined integration framework.

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 Exact's capital.

2.6 *Product Portfolio*

The Exact Business Empowerment solution portfolio enables customers to not only automate their administrative back office processes but also their value creation and value delivery processes. This comprehensive, fully-integrated and targeted SMB product suite provides up to 100% of employees and even external stakeholders with structured and controlled self-service access to relevant information, thus meeting the SMB customers' needs of today and tomorrow.



EXACT SYNERGY

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EXACT GLOBE

Exact Globe is a traditional back office ERP solution focusing on automating administrative processes. Financial accounting as well as logistics systems and processes are directly linked to account management, human resources, manufacturing and others. Exact Globe is available in more than 40 languages, supports more than 40 legislations and is seamlessly integrated with Exact Synergy.

LOCAL BACK OFFICE PRODUCTS

Next to Exact Globe, Exact offers various additional local ERP back office solutions as a result of acquisitions. These are manufacturing-oriented products like Exact Macola, Exact Max and Exact JobBOSS in the Americas, local horizontal products such as Dimoni in Spain, SIIGO in Colombia and ProAcc in Belgium, and the German payroll product Lohn XL. All these products work in conjunction with Exact Synergy.

EXACT BUSINESS ANALYTICS

Exact Business Analytics (EBA) is a solution that empowers companies to intelligently interpret and analyze business data through flexible reporting. It offers the ability to access, consolidate and convert data into meaningful information throughout the customer's business. EBA is integrated with various Exact products like Exact Macola, Exact Globe and Exact Synergy.

CORPORATE PERFORMANCE MANAGEMENT

Exact's solution for corporate performance management (CPM) is based on the most recent acquisition, Longview Solutions, in November 2007. Longview Solutions is a leading CPM software vendor and delivers a best-in-class CPM solution for strategic finance with solutions for budgeting, planning, forecasting, consolidation and tax. This is complementary functionality, enhancing our Business Empowerment solutions portfolio.

EXACT ONLINE

Exact Online is an internet-based accounting solution for which the application is provided as a service via the Internet. This 'software as a service' (SaaS) is paid by a monthly subscription fee. By offering customers and their accountants access to the same information, Exact Online enables both parties to collaborate more efficiently. The ease of use and the fact that no initial investment is necessary makes Exact Online an excellent solution for small companies, accountants and branch organizations.

2.7 Organization

To optimally facilitate the execution of the company's strategy and combine the power of Exact at a global level, a new corporate structure was implemented in 2007.

Strategic functions are organized at a headquarters level to facilitate the operations within four geographical regions in the strategy execution.

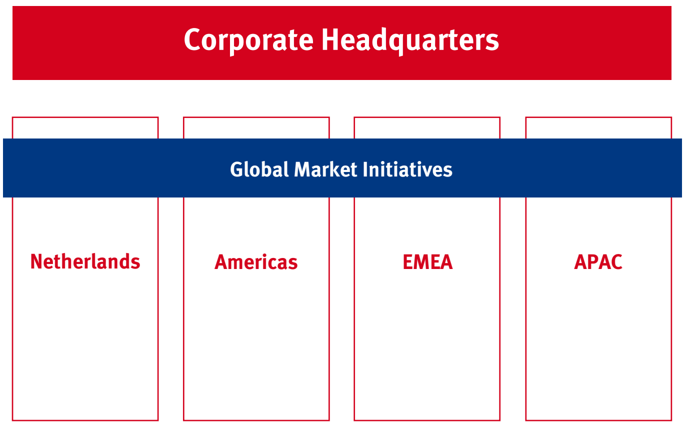
The headquarters comprises the following infrastructure:

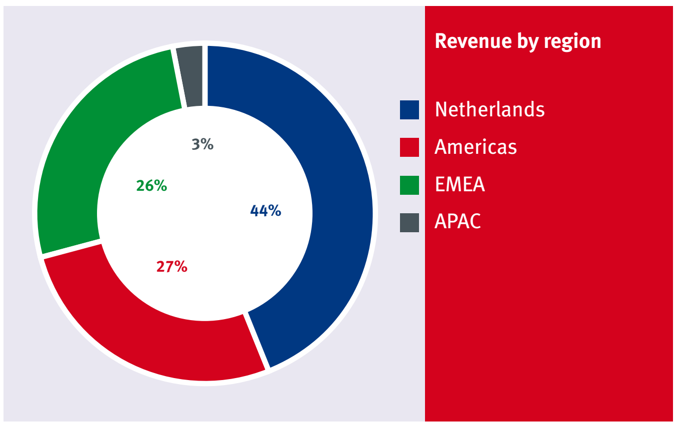
Corporate Product Organization	Product development center in Malaysia (ADC) Corporate Product Management Research and Innovation Centers in Delft and the USA
Corporate Marketing	Strategic Marketing Product Marketing Corporate Communications Marketing Intelligence
Operations Support	Corporate Finance and Administration Corporate HRM Corporate Center of Learning (Exademy) Corporate IT Legal Department Corporate Account Management

Exact's operations are organized in the following four geographical regions:

- Americas
- APAC (Asia/Pacific)
- EMEA (Europe, Middle East and Africa)
- Netherlands

Global market strategies such as the focus on small and medium-sized subsidiaries of international companies (Parenting Strategy) are facilitated and driven from a central corporate infrastructure to ensure rollout across all regions.





"The acquisition of Longview is a high-quality step that perfectly fits into Exact's acquisition strategy." *Fortis*

Next to the strategic rationale, Exact strongly believes that a **cultural fit** determines the success of acquisitions.

2.8 *Corporate Values*

Exact believes a strong corporate culture is important, not only as a foundation for sustainable business success, but also to create and maintain an attractive working environment for its employees.

A common set of values is the foundation for the company's unique culture and forms the guiding principles for the way Exact manages its business. They are the basis for what stakeholders can expect from Exact in terms of culture and behavior, and also what its employees – independent from rank and function – can expect from each other.

Exact considers the right attitude and a high level of emotional energy of its employees as additional competitive advantages. This is especially true in an industry where excellent products and services and a sound financial basis are prerequisites for a successful market presence. That is why attitude, emotion and energy have been the main drivers for Exact in defining its corporate values.

Exact's strong and unique company culture, supported by its corporate values, is an important part of the company's business foundation and contributes substantially to strategy execution. Exact employees form a unique team team built on trust, respect, honesty and integrity. By combing these values with courage, commitment, passion and fun, they can deliver great experiences to all Exact's stakeholders.

With the knowledge that corporate values should be as tangible as possible, Exact has incorporated its values into several processes and instruments at an operational level, such as Exact's new Job House and the value-based recruitment model. Furthermore, behavior in line with corporate values is an important consideration when reviewing and evaluating employees.

3. Report of the Board of Managing Directors

3.1 The Members of the Board of Managing Directors

Raj 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

Raj 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. Raj Patel has held a number of senior managerial posts within Exact, most recently as 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

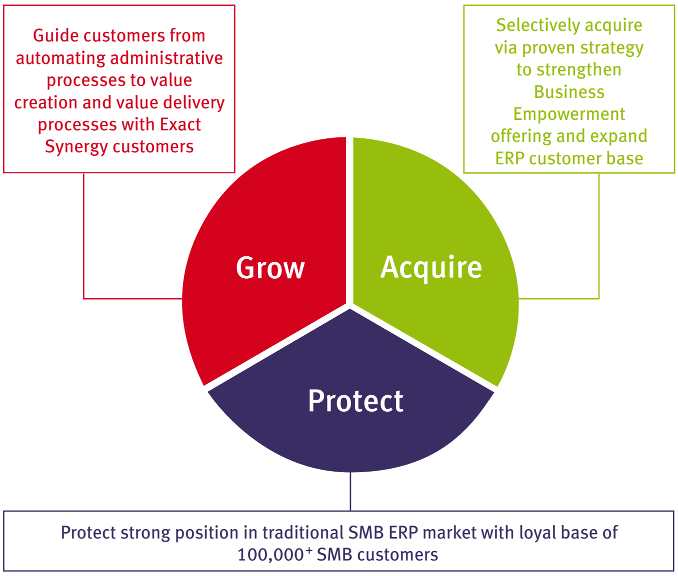
Jim Kent began his career as a consulting manager in 1984 with Moody, O'Sullivan & Co. while completing his Master of Business Administration degree at Southern New Hampshire University. He completed his MBA in 1987 and founded his own business consulting and software solutions company, the Kent Group. 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 as general manager of the Macola division within Exact Software North America in 2002. In 2005 he was appointed Group Director of Exact Software North America.

3.2 Strategy Execution

Since the beginning of 2006, Exact has been executing a clear and concise strategic plan to drive continued growth and profitability for the coming years.

Exact's strategy is designed to maximize the value of its current operational strengths and leverage its assets to drive further organic and acquisition-based growth opportunities.

Exact's management has continued to execute its three-point strategic growth program: **Protect, Grow, Acquire.**



TRADITIONAL ERP BUSINESS ('PROTECT')

Today, most small and medium-sized companies address simple back office automation with traditional ERP software, and are increasing their focus on advanced front office software tools in order to better support value creation and delivery processes within the organization. Therefore, additional investments are mainly focused on extensions and enhancements to better leverage existing investments. New investments are, to a large extent, replacements. This trend is reflected in a low single-digit growth of the traditional ERP market globally.

As a result, Exact's core focus is to protect its leading position in the traditional ERP market. This is key for the company's strong cash generating capacity, and the foundation for strong growth in solution areas beyond traditional ERP.

In 2007 Exact continued its focus on the 'Protect' component of its strategy with the following initiatives and related results:

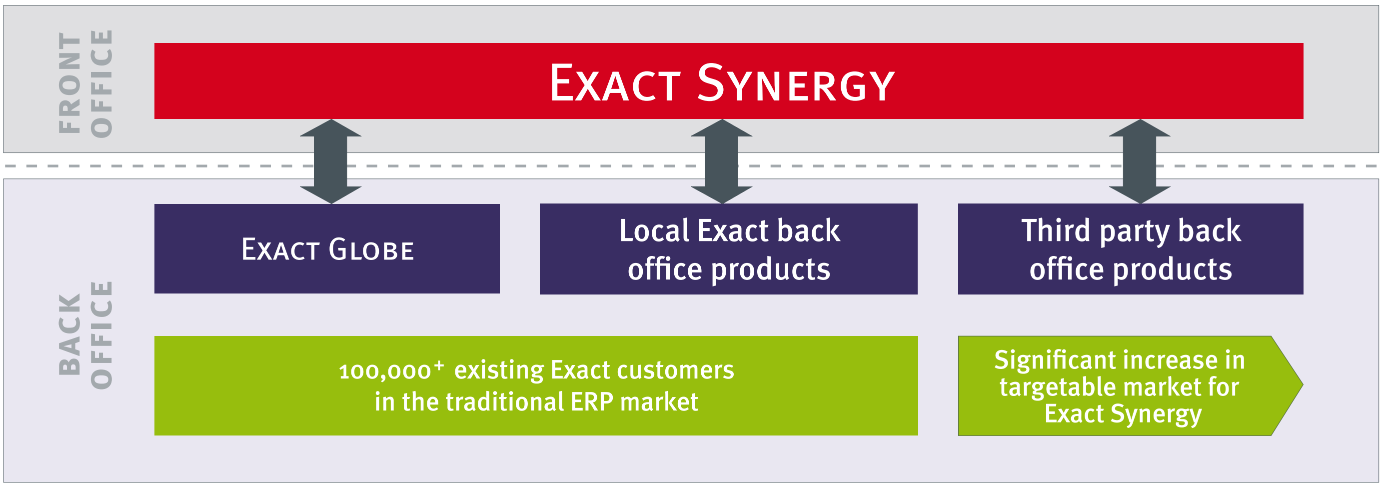
- Balanced investments in Exact Globe and Exact's local ERP product offerings to ensure that license revenue generation remains high, and continuous product improvements, to further improve customer satisfaction and to extend the life cycle of the customer's investment.
- Continued focus on customer intimacy and high service levels have resulted in a further increase of customer satisfaction and renewal rates for maintenance contracts.
- Exact's premium support contract offerings were further rolled out to the Netherlands region in 2007, after having been successfully deployed within the EMEA region since 2004. Different contract levels provide customers with premium customer services depending on their specific needs, and offer Exact new maintenance revenue opportunities. These offerings will be introduced in Exact Americas and Exact APAC regions in 2008.
- The majority of license revenue in the traditional ERP business in 2007 was generated from the existing customer base by cross-selling additional functionality, administrations and users. These additional investments extend the life cycles of the customers' existing ERP investments and confirm the strong customer loyalty. Exact continued to benefit from this trend in 2007 with increased add-on sales across all product lines and regions.
- In addition to selling to the existing customer base Exact continued to capture new sales opportunities in the traditional ERP market, with particularly strong performances of Exact Globe across all regions, JobBOSS in the USA and SIIGO in Colombia.
- The successful execution of Exact's Parenting Strategy, which focuses on international companies, contributed substantially to the organic license revenue growth and led to healthy growth of Exact Globe in 2007. The organizational realignment from strategic groups into geographical regions had a positive impact, as the Parenting Strategy can now be executed more efficiently way across all regions, whereas it could only be executed in one strategic group in the former organization structure.

ORGANIC GROWTH DRIVER EXACT SYNERGY ('GROW')

Based on its strong market position and customer base in the SMB ERP market, the major organic growth driver is Exact's integrated front office solution, Exact Synergy.

Organic license revenue grew 7.5% in 2007, showing a strong acceleration compared to no growth in 2005 and 2.0% in 2006. Growth in 2007 was mainly fueled by the strong performance of Exact Synergy.

- The majority of the Exact Synergy licenses were sold to the existing ERP customer base, demonstrating the cross-selling capabilities. This was mainly a result of further penetrating the installed base of Exact Globe customers in the Netherlands, Macola customers in North America, and Dimoni customers in Spain.



- The development of industry-specific templates to attract new customers in the traditional mid-market has resulted in an increased number of new Exact Synergy stand-alone customers, especially in the Netherlands and EMEA regions.
- In addition to the initial sale of an Exact Synergy license, an increasing number of follow-on sales, further penetrating the employee base within a company, contributed to the accelerated growth.
- A strong focus on improving connectivity capabilities based on the latest Microsoft .NET platform allows an increased focus on selling Exact Synergy on top of third party ERP products. This results in a significantly larger target market for Exact Synergy.

ACQUISITIONS ('ACQUIRE')

To facilitate its Business Empowerment strategy, Exact has defined a clear acquisition strategy to strengthen its Business Empowerment offering and further expand its ERP customer base. Since summer 2005 eight acquisitions have been executed in line with this strategy. The execution and integration of these acquisitions have been managed by cross-functional, project-based M&A teams based on a clearly defined integration framework.

The three business partner acquisitions completed in 2005 in the USA and in Spain have been fully integrated in the regional operations and are strengthening the regional networks in these markets.

The technology acquisitions Vanguard (USA) and Easy Access, (Netherlands) made in 2005, have not only been fully integrated into Exact's core product offering, but cross-selling to the installed base worldwide has already commenced.

The acquired products (Exact Business Analytics and the Pick-IT module for Exact Globe) have already been sold in more than 15 different countries and show strong growth outside their home markets, demonstrating Exact's ability to leverage its global distribution network.

In 2007 Exact completed the following three acquisitions.

Solid Data, Belgium (acquisition type 'customer base')

In January Exact acquired Solid Data NV/SA, a local leading Belgian software vendor, establishing Exact as the market leader for accounting software in the Belgian SMB market. The products of Exact and Solid Data are highly complementary, offering great cross-selling opportunities for the combined operations. The acquisition was paid in cash. The existing operating divisions in Belgium and Solid Data have been fully integrated into one country operation, showing healthy growth and profitability.

alphaSIGMA, USA (acquisition type 'business partner')

In April Exact acquired specific assets of alphaSIGMA Consulting LLC, an IT and professional services firm based in Chicago, Illinois. As a result of the acquisition, the alphaSIGMA location serves as a regional office for Exact Software Americas, significantly enhancing Exact's ability to service and support customers in the Chicago area and the surrounding Midwest region. The acquisition was paid in cash. alphaSIGMA has been fully integrated into the American operations.

Longview Solutions, Canada (acquisition type 'technology')

In September Exact announced the acquisition of Longview Solutions Inc., a leading provider of corporate performance management (CPM) software solutions. The acquisition was completed in November and was paid in cash.

Being the largest acquisition in Exact's history, this strategic acquisition strengthens Exact's Business Empowerment Software portfolio by adding Longview' powerful CPM platform, and accelerates Exact's expansion into the higher end of the mid-market. In turn, Longview benefits from Exact's financial strength and geographic footprint as it continues to deliver best-in-class CPM software and services to the enterprise market, and further expands into the mid-market. Since the acquisition was announced, major contracts with industry leading companies including Allergan Inc. have been successfully closed.

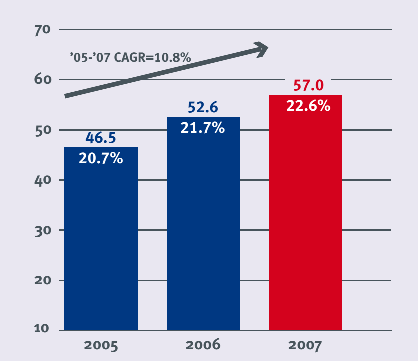
Short-term revenue leverage opportunities will be captured from two-way cross-selling between Exact's parenting customers (large multinationals) and Longview's Tier-1 CPM customer base.

Consolidated as per November 8, 2007, Longview Solutions contributed € 2.2 million to the total revenue in 2007.

STRATEGY EXECUTION SUMMARY

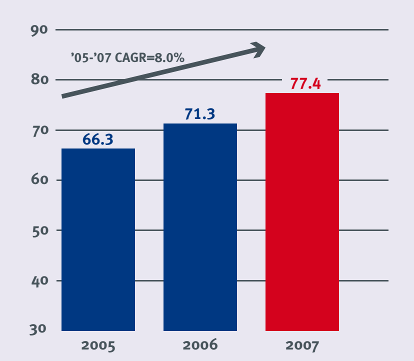
Since 2006 Exact has been executing a clear and concise strategic plan in order to drive profitable growth. The fruits of diligent execution have been visible over the last 24 months and especially in 2007.

KEY PERFORMANCE INDICATORS 2005-2007



EBITDA
(in millions of euros)

License Revenue
(in millions of euros)



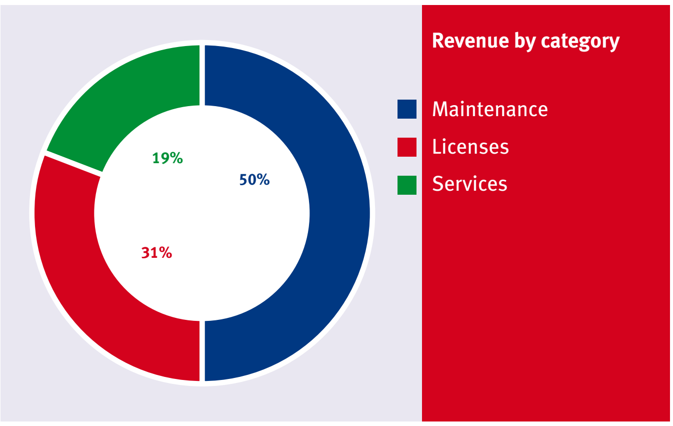
3.3 Financial Results

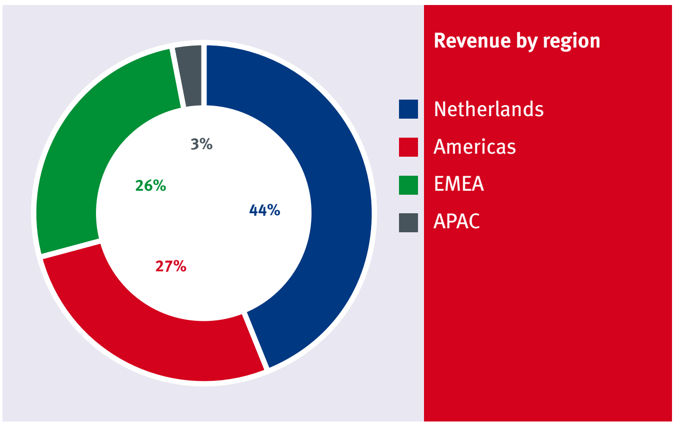
KEY FINANCIAL FIGURES

Key financial figures (in thousands of euros)	2007	Change	2007 excluding Longview 1)	Change	2006
License revenue	**77,399**	8.5%	**77,067**	8.0%	71,351
Maintenance revenue	**125,213**	1.2%	**124,551**	0.6%	123,780
Service revenue	**49,497**	5.5%	**48,304**	2.9%	46,934
Total revenue	**252,109**	4.1%	**249,922**	3.2%	242,065
EBITDA	**57,036**	8.5%	**57,038**	8.5%	52,583
EBITDA margin (in %)	**22.6**	0.9 pts	**22.6**	0.9 pts	21.7
EBIT	**49,792**	8.5%	**50,161**	9.3%	45,909
EBIT margin (in %)	**19.8**	0.8 pts	**20.1**	1.1 pts	19.0
Net income after tax	**39,112**	13.7%	**39,313**	14.3%	34,390
Net income margin (in %)	**15.5**	1.3 pts	**15.7**	1.5 pts	14.2
Diluted EPS2) (in €)	**1.59**	12.0%	**1.60**	12.7%	1.42
Diluted cash EPS2) (in €)	**2.02**	16.8%	**2.03**	17.3%	1.73

1) Longview was consolidated as per November 8, 2007

2) Based on average diluted number of shares outstanding (2007: 24.03 million; 2006: 24.03 million)





Revenue development

Total revenue grew from € 242.1 million in 2006 to € 252.1 million in 2007, representing an increase of 4.1%. Excluding foreign exchange rate effects that negatively impacted revenue by € 5.3 million, total revenue grew by 6.3% to € 257.4 million (2006: € 242.1 million). The three acquisitions executed in 2007 added € 5.6 million to the total revenue. The organic revenue growth – defined as total revenue development at constant currencies excluding the contribution of acquisitions – was 3.2%. Revenue related to Exact Synergy grew 18.5% to € 31.5 million (2006: € 26.6 million), representing 12.5% of the total revenue.

License revenue increased by 8.5% to € 77.4 million (2006: € 71.4 million), mainly driven by the Netherlands, EMEA and APAC regions. This increase was mainly fueled by strong growth of Exact Synergy and a solid performance of ERP product lines like Exact Globe. Acquisitions contributed € 2.2 million to the license revenue, resulting in an organic license revenue growth of 7.5%. This shows a strong acceleration, compared to no growth in 2005 and 2.0% in 2006.

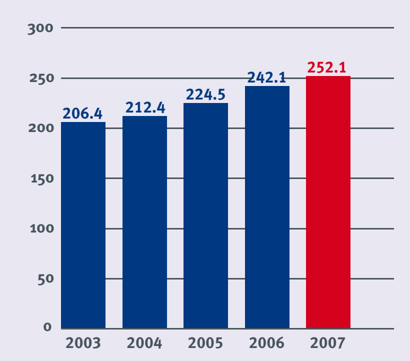
Maintenance revenue increased to € 125.2 million (2006: € 123.8 million). The increase of 1.2% includes a negative foreign exchange rate impact on maintenance revenue of € 2.3 million. Excluding negative foreign exchange rate impact the maintenance revenue grew 3.0%. As a result of maintenance revenue being deferred and recognized over the maintenance contract period of 12 months, the impact of the strong license revenue on maintenance in 2007 will not be visible until 2008. Service revenue increased by 5.5% to € 49.5 million (2006: € 46.9 million). Service revevue growth compared to 2006 was less, due to an increased share of consultancy services performed by the partner channel in the Netherlands. This is a result of strict adherence to an indirect business model, and led to a decline in service revenue in the Netherlands. In other areas where Exact drives a direct model, service revenue growth accelerated in the second half of 2007 compared to a revenue growth of 1.4% in the first half of 2007.

EBIT

EBIT increased by 8.5% to € 49.8 million (2006: € 45.9 million) representing an EBIT margin of 19.8% (2006: 19.0%). This includes a one-off charge of € 1.9 million to settle a legal case in the USA. Excluding this one-off charge, the EBIT margin increased to 20.5% as a result of the organizational realignment and continued operational leverage.

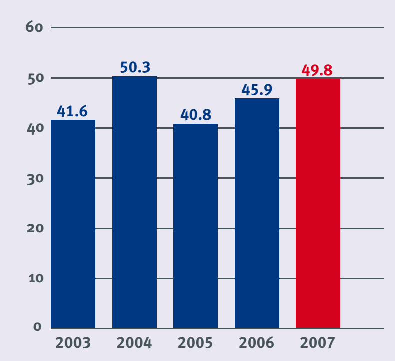
Total operating expenses increased by 3.1% to € 202.3 million (2006: € 196.2 million). Personnel expenses amounted to € 126.8 million (2006: € 122.5 million) representing an increase of 3.6%. Excluding acquisitions, personnel expenses increased 2.6%, which was completely offset by a positive foreign exchange rate impact. Acquisitions added € 4.7 million to personnel expenses. Marketing and sales expenses increased by 8.5% to € 14.8 million (2006: € 13.6 million) as a result of increased sponsorship activities.

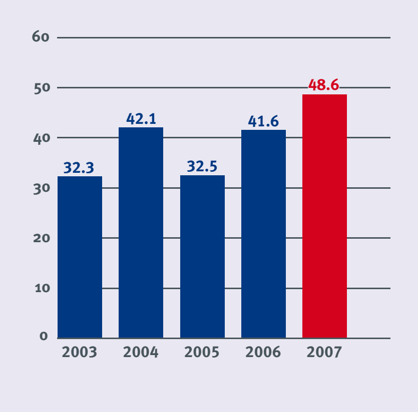
Research and development (R&D) costs for corporate product lines and holding costs increased by € 1.7 million to € 20.4 million (2006: € 18.7 million). This is mainly a result of expanding the corporate infrastructure in line with the organizational realignment into regions.



Total revenue
(in millions of euros)

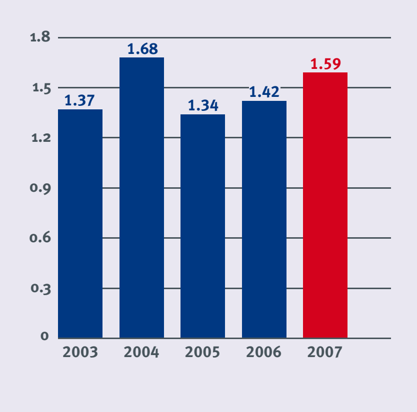
Operating result (EBIT)
(in millions of euros)





Operating cash flow
(in millions of euros)

Earnings per share
(in euros)



Interest and tax

The total financial income in 2007 amounted to € 2.6 million, an increase of € 0.4 million (2006: € 2.2 million). This is mainly a result of higher short-term interest rates.

The tax rate decreased from 28.5% to 25.4%, reducing tax expenses by € 1.6 million, mainly as a result of the lower corporate income tax rate in the Netherlands.

Net income and dividend

The company's dividend policy is a net dividend payout of 100% of its net income in any year in which it does not execute a material acquisition. As a result of its strong and sustainable cash flow, the dividend policy of 100% net pay-out will be followed despite execution of a material acquisition during 2007. The final dividend will be paid out in May 2008.

At the Annual General Meeting of Shareholders on April 24, 2008, the Board of Managing Directors will propose a final dividend payout of € 0.83 per share in addition to the interim dividend of € 0.76 per share paid in August 2007. This amounts to a total dividend for 2007 of € 1.59, representing a 100% payout of net income.

This is in line with the company's dividend policy of 100% net payout in any year in which it does not execute a material acquisition. The dividend will be paid out in May 2008.

With the cash position remaining after the payout of the final dividend and its ungeared balance sheet, the company continues to have a sound investment capacity for its acquisition strategy.

Balance sheet and cash flow

Exact continues to have a sound balance sheet. After paying € 52.4 million as dividends (full-year dividend for 2006 and interim dividend for first half 2007) and investing € 40.9 million cash in acquisitions, the net cash position amounts to € 69.0 million as per December 31, 2007.

The average days sales outstanding decreased from 64 in 2006 to 62 in 2007.

As a result of continuous management focus, the operating cash flow increased by 16.8% to € 48.6 million (2006: € 41.6 million). Working capital (excluding cash) improved by € 1.8 million and the reduction of the average days sales outstanding contributed € 1.7 million cash flow.

3.4 Human Resources

Exact considers its highly skilled, motivated and qualified workforce as one of its most important resources. The company continued to invest in this area in 2007, both in its employees and in HR as a strategic business function.

Job House

In 2007 Exact developed and implemented a new Job House, reflecting the human resources model of the organization. It serves as the basis for all HR-related processes and instruments (e.g. recruitment, staffing, training and development).

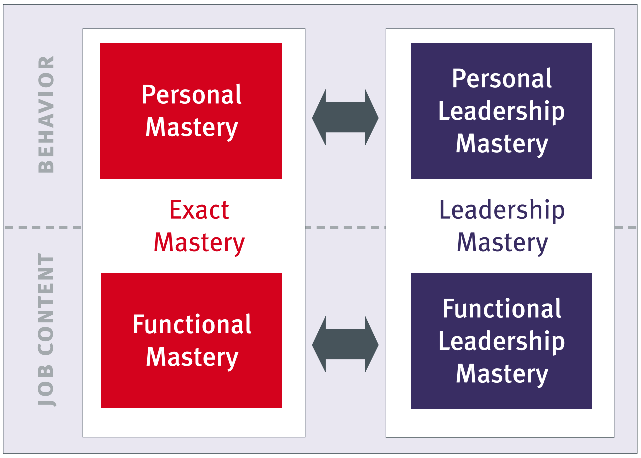
The Job House defines all job activities across the organization within four different career paths (Sales & Marketing, Customer Services, Research & Development, Operations Support). Each job activity within these career paths has its own career map, describing the education, experience, knowledge and skills that are needed to successfully perform the job at each of its levels. It also clearly stipulates what skills and experience are required to move to another career map, horizontally and vertically, ensuring that our customers benefit from the best skills across our organization.

The model distinguishes between professionals on four different levels and leaders on two different levels, indicating seniority, experience and level of responsibility. This level-based model helps to facilitate career development and career moves, and also helps to identify overall knowledge levels within the company as well as recruitment needs.

The division of the leaders into managers and principals clearly demonstrates the equal importance of both people leaders and thought leaders, especially in a knowledge-driven industry. It furthermore offers an additional opportunity next to the classic management career, which helps Exact to better retain crucial knowledge and experience.

Exact Mastery

The Exact Mastery is an integrated part of the Job House and defines what is expected from employees in terms of general behavior and attitude, as well as core competencies specifically related to their job activity.



The Exact Mastery defines a common set of requirements based on Exact's corporate values, vision and strategy that are needed in order to deliver great experiences to our stakeholders based on knowledge, skills and personality. The mastery is split into two areas.

The Personal Mastery focuses on company culture and defines what Exact expects of every employee in terms of behavior and attitude, independent from their job activity. The Functional Mastery focuses on skills and competencies. It defines the knowledge, skills and formal qualifications necessary for a specific job activity. Both elements of the Exact Mastery are an instrumental foundation for key HR processes such as recruitment, promotions, performance management and training.

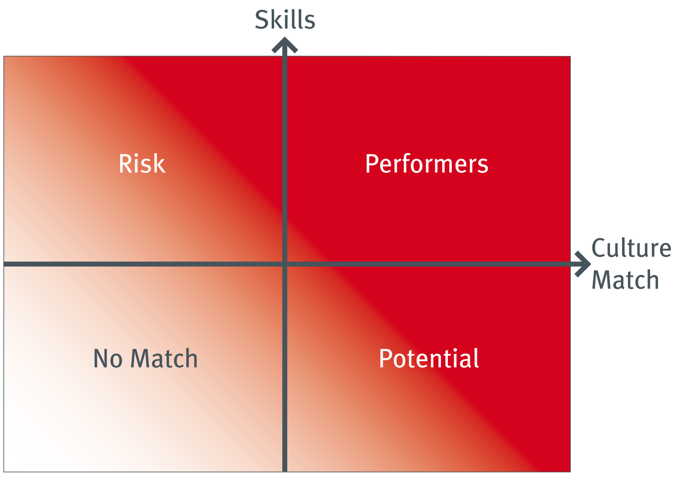
For Exact leaders both parts of the Exact Mastery are extended with leadership-specific requirements, not only on a functional level but also on a behavioral level. They underline the importance that leaders have as role models for the company culture in terms of attitude and behavior.

Value-based recruitment

Exact pays significant attention to retaining its valuable personnel and acquiring new talent. In order to obtain the right people and to make sure they fit within Exact, the company prioritizes a strong culture match of a candidate over the skills and competencies. These characteristics are assessed during the recruitment process.

The underlying assumption of value-based recruitment is that skills can be improved and developed and should do so in a constantly evolving environment. Contrary to this, the character and personality of an individual are unlikely to change. The right composition is a very strong foundation for a highly effective, collaborative workforce.

This recruitment philosophy was initially introduced in the Netherlands in 2006 and further adopted outside the Netherlands during 2007. As a consequence the retention rate of new employees has improved and the attractiveness of Exact as employer has further increased.



Exademy (Corporate Center of Learning)

Exact continuously invests in employees and provides them with the opportunity to enhance their development through the training and education provided by the Exademy, Exact's own Corporate Center of Learning located at Exact's headquarters in Delft, the Netherlands.

Exademy®
Corporate Center of Learning

Boarding Program	Leadershape	Solutions Insight	Skill Mastery
Uniform introduction program for all new employees worldwide, taking place at the headquarters in Delft	Leadership development program to empower leaders in better executing the company's structure	Product and solution courses for corporate product lines and important third-party products	Training programs to develop and improve skills defined in the functional mastery of Exact's Job House

In 2007 the Exademy focused on the following initiatives:

Boarding Program

The boarding program was deployed for the first full-year period in 2007 with all new employees worldwide participating in a 2-3 week program at the headquarters in Delft. The program leads to a very good understanding of Exact's culture and strategy, empowering new employees to contribute to strategy execution and organizational goals very rapidly.

Furthermore a mobile boarding program was developed and deployed to inform and integrate employees of newly acquired companies. Being part of the M&A integration framework, the mobile boarding program contributes substantially to the successful integration of acquisitions.

Leadershape Program

Together with the senior management team and an external partner, a leadership development program called "Leadershape" has been developed, specifically designed to empower Exact leaders in the transformation process and organizational development of Exact now and into the next decade.

Leadershape will focus on improving leadership capabilities, influencing behaviors, and overall people management, enabling Exact leaders to better contribute to Exact's corporate strategy, goals and objectives. Leadershape is an interactive program spread over eight months that includes one week of classroom interaction and various pre and post program assignments with the emphasis placed on the individual taking responsibility for themselves and their personal development plan.

Solutions Insight

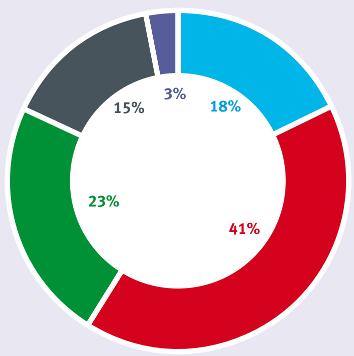
The on demand and classroom training offering for solutions based on corporate product lines was substantially extended in 2007. Next to regular release update training courses, the main focus has been put on developing new training offerings around Exact Synergy.

Key HR Metrics 2007

	2007	2006	2005
Employee key figures			
Average number of employees (FTE)	**2,609**	2,630	2,650
Number of employees at year end (FTE)	**2,682**	2,591	2,698

- **Employees per discipline**
  Of Exact's employees, 64% are devoted to research & development and customer services, underlining the company's commitment to providing its customers with unique and in-demand solutions around the world.

- **Absenteeism due to illness and industrial disability**
  Exact's level of absenteeism due to illness remains extremely low, between 2% and 3%. No employees left the organization in 2007 due to occupational disabilities.

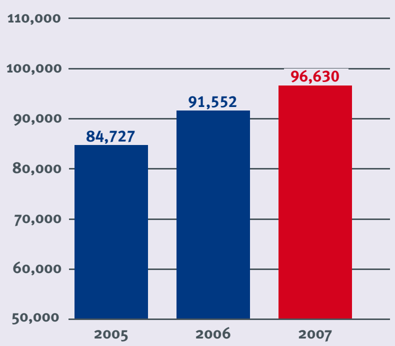


Employees per discipline

Sales & Marketing	488	18%
Customer Services	1,090	41%
Research & Development	605	23%
Operations Support	413	15%
General Management	86	3%
Total number of employees (FTE)		2,682

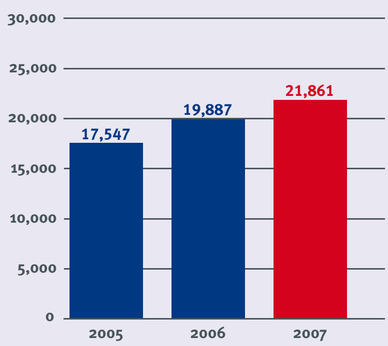
- **Performance-related pay and reward**
  Exact's performance-related remuneration system encourages employees to increase their productivity and rewards their contribution. The amount of variable payment in 2007 amounted to 17.4% of the total amount of wages compared to 16.0% in 2006.

- **Development revenue /EBITDA per employee**
  As a result of continued investments in employees, Exact has been able to increase productivity and efficiency across its organization, resulting in an increased revenue and EBITDA per employee.



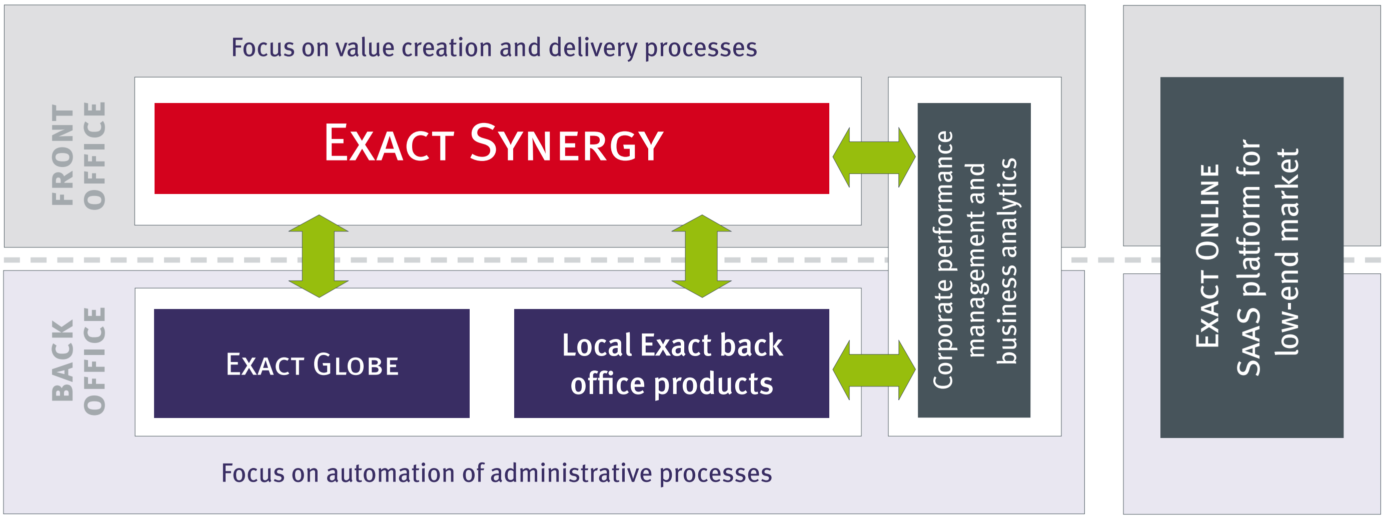
Revenue per employee (FTE)
(in euros)

EBITDA per employee
(in euros)



3.5 Product and Technology

During 2007 Exact continued its firm investment and commitment to developing world class products. Exact's innovation and research centers in Delft and Silicon Valley have continued to drive innovation in existing products. At the same time they continued to research next generation applications and future trends in technology and user experience in line with Exact'scorporate strategy.



As a major cornerstone of our strategy, key investments have been made in both corporate product lines and local brands. Focus areas and major achievements per product line:

Exact Online	Exact Online continued its very strong performance, with the total number of subscriptions exceeding 5,000 in 2007. This represents over 12,000 administrations. A new release that was launched in October 2007 offers sophisticated functionality that further improves the collaboration between accountants and their clients. Accountancy firms can now offer their clients all the benefits of Exact Online in a personalized environment. Exact Online is currently available in the Netherlands and Belgium. Further international expansion is currently under review for a number of countries.
Exact Synergy	Based on the major technology uplift of Exact Synergy to the latest Microsoft .NET framework, in 2007 a substantial level of functionality was added around market-driven themes. This major new release was launched in selected markets during the fourth quarter and already offers its first customers advanced possibilities in the areas of customer relationship management, human resource management, business analytics and financial consolidation. Furthermore, the capability to connect and integrate Exact Synergy to third-party ERP applications from other vendors has been improved, substantially increasing the target market for Exact Synergy. Ongoing development in 2008 will focus mainly on enhancing the connectivity to third party applications and improving the user experience.

Exact Globe	Release 380 of Exact Globe was launched in the third quarter of 2007, offering enhancements in the areas of localization, logistics and manufacturing. Organizations using Exact Globe in multiple countries benefit from improved alignment with local rules and regulations. This release also marked the general availability of Exact Business Analytics and the support of Microsoft Vista and Office 2007. In 2008 functionality in the area of manufacturing and further enhancements of local legislations will be the key priority.
Local Exact back office products	As part of the mid- to long-term product and technology roadmap, local Exact product lines continued to invest in additional functionality in 2007 to drive customer retention and satisfaction and extend the life cycle of the customer's investment.
Exact Business Analytics	In 2005 Vanguard Solutions was acquired, resulting in Exact Business Analytics (EBA). In 2007 EBA was selected as the fourth corporate product line, underlining Exact's ambition to leverage EBA on a global scale. EBA was already integrated with Exact Macola and Exact MAX, mainly for the North American market. In 2007 EBA was integrated with Exact Globe and Exact Synergy. This demonstrates Exact's ability, in line with its clear acquisition strategy and integration framework, to acquire technology and integrate it into its standard offering. Cross-selling to the installed base worldwide has already commenced. Development efforts in 2008 will be focused on improving web-based reporting as well as personalized dashboards.

As part of the mid- to long-term product and technology roadmap, local product lines continue to invest in additional functionality to drive customer retention and satisfaction.

"With the Exact software solution our people have more control of the sales opportunities and I have a better overview of what our sales team is doing. I also have the information to make decisions more quickly." *Enric Calaf, Sales Director Adecco, Spain*

In 2007 we expanded functionality substantially in Exact Synergy, with particular **focus** on CRM and HRM. This will contribute to achieving our license growth targets for 2008.

3.6 Outlook

Exact's Management Board will continue to execute diligently and focus on its three-point strategic growth program in 2008: **Protect, Grow** and **Acquire**. The initial fruits of this plan have lead to successfully resuming organic growth in 2007.

The primary driver behind this organic growth is the company's ability to cross-sell Exact Synergy to its existing customers while maintaining high renewal rates of the maintenance base. In addition to driving organic growth, we strive to establish a healthy balance between organic and acquisitive growth, and in that sense, will continue to seek solid acquisition opportunities in line with the clearly defined M&A strategy. Acquisitions should either compliment Exact's Business Empowerment offering or increase the size of the installed base to continue cross-selling Exact Synergy and Exact Online.

Exact's Management Board will continue to execute diligently and focus on its three-point strategic growth program in 2008: Protect, Grow and Acquire.

Based on Exact's strong fundamentals, cross-selling capabilities and leading edge products, we have given a guidance for 2008 of 7-9% organic license revenue growth, which excludes acquisitions and foreign exchange rate effects. In terms of operating margin Exact has given a guidance of an EBITDA level of 24%.

The financial outlook for 2008 is subject to no material changes in the economic climate. In the event such changes materialize, we will assess potential impact and provide the market with an update.

Delft, April 4, 2008

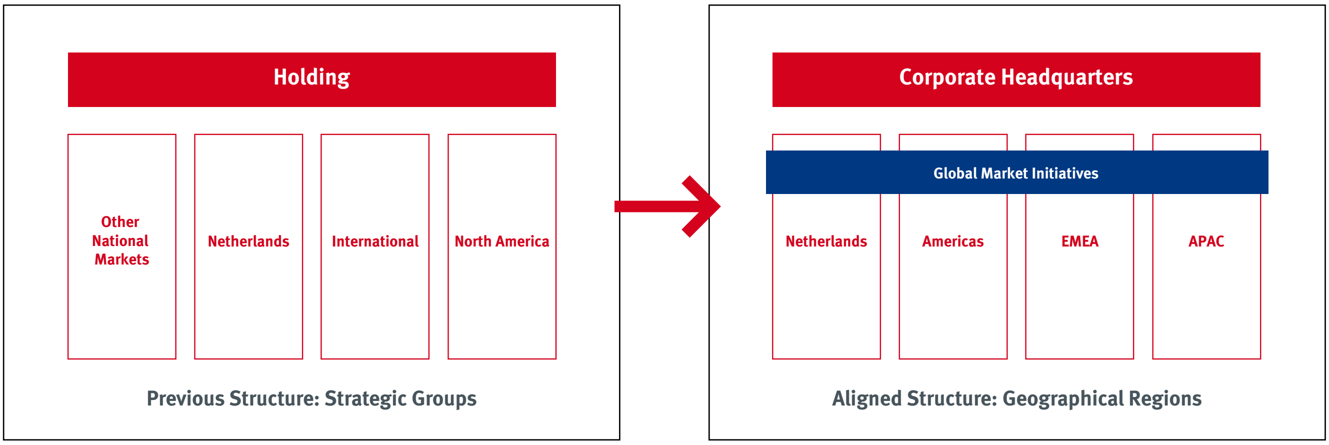
Raj Patel
Jim Kent

4. Operational Developments

4. Operational Developments

4.1 Realignment from Strategic Groups to Geographical Regions

Since the beginning of 2006, Exact has been executing a clear and concise strategic plan to drive continued growth and profitability. Part of this strategic plan was to implement a new corporate structure and alignment process internally, which in turn would better facilitate the execution of the company's strategy.



ORGANIZATIONAL REALIGNMENT

The realignment of the organizational structure was executed in 2007 as follows:

- Operations are structured in four geographical regions instead of strategic groups. The regions comprise the Netherlands, EMEA (Europe, the Middle East and Africa), Americas (North, Central and South America) and APAC (Asia/Pacific).
- As a result of moving certain strategic functions from operational to corporate level, Exact Holding is gradually transforming into a corporate headquarters infrastructure.
- The separate operating divisions in Germany, Belgium, Spain and the UK have been integrated into one country operation each.
- Global market strategies such as the focus on small to medium-sized subsidiaries of international companies (Parenting Strategy) will be facilitated and driven from a central corporate infrastructure to ensure rollout on a global basis rather than just within a strategic group.

The organizational realignment to geographical regions substantially impacted the EBIT increase by 33.9% in the EMEA region.

Management envisions the following advantages as a result of the realigned organizational structure:

- Increased cross-selling opportunities and better leveraging of product lines globally
- Stronger leveraging of know-how and distribution network resulting in a more efficient deployment of resources
- Better facilitation of the rollout of strategic product-market combinations
- Alignment and optimization of market strategies within countries
- Easier integration of future acquisitions into the organizational structure
- Enabling cost synergy effects by combining infrastructure

The first positive effects of this realignment have already been realized by better materializing cross-selling opportunities and enabling cost synergy effects by combining infrastructure. This contributed to an accelerated license revenue growth in 2007 and an EBIT margin increase to 20.5%, excluding a one-off charge to settle a legal case in the USA.

4.2 Netherlands

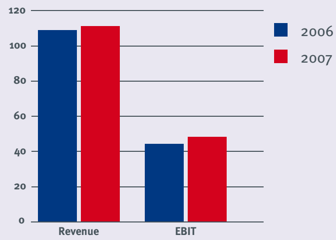
Exact's home region remains the largest contributor to the corporate results, both in profitability and in revenue. A strong focus on Exact Synergy sales to both installed base and new customers resulted in a strong organic license growth of 10.1% in 2007.

Offices in the Netherlands:
- Delft
- Utrecht
- Eindhoven
- Zwolle
- Woerden
- Nijkerk

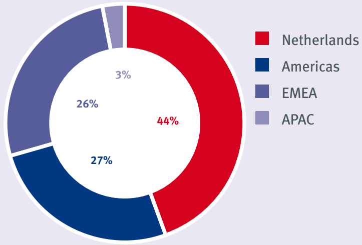
Product offering:
- Exact Synergy
- Exact Globe
- Exact Online
- Exact Business Analytics
- Exact Compact
- Exact Financials
- Grote Beer for Windows
- AEC Objects
- @School
- Easy Logistics
- Websolutions QX

in millions of euros	2007	2006
Revenue	**111.2**	108.8
EBITDA	**49.8**	45.9
EBITDA Margin	**44.8%**	42.2%
EBIT	**48.2**	44.2
EBIT Margin	**43.3%**	40.7%
No. of employees (average FTE)	**577**	612

Development



Revenue share



PROFILE

In its home market, the Netherlands, where it serves its large customer base in the traditional SMB market space, Exact remains the clear SMB market leader. At the same time, it is broadening its solution offering and market focus to the lower end of the market with Exact Online, and targeting the value-driven traditional mid-market with Exact Synergy.

With the introduction of Exact Online – an accounting software solution offered as a service via the internet – 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 base, mainly served with Exact Globe, is a solid foundation for an increasing market penetration of Exact Synergy, which enables customers to fully integrate their front and back office processes and extends the life cycles of their existing ERP investments.

Strong focus is being placed on the traditional mid-market which offers additional growth opportunities for Exact in its home market. Different to the traditional SMB market, this segment requires industry-specific 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 Synergy, focusing on specific sectors including wholesale, manufacturing, retail, professional services and accountancy.

FINANCIAL RESULTS

Based on a strong focus on Exact Synergy, Exact has accelerated organic license revenue growth and further improved profitability as a result of continued operational leverage. This has resulted in the following financial achievements in 2007:

- Total revenue grew 2.2% to € 111.2 million (2006: € 108.8 million).
- Organic license revenue grew strongly by 10.1% (2006: 5.7%).
- Service revenue declined due to an increased share of consultancy services performed by the partner channel as a result of strict adherence to an indirect business model.
- EBIT margin further improved to 43.3% (2006: 40.7%) as a result of continued operational leverage.
- EBIT increased by 9.1% to € 48.2 million (2006: € 44.2 million).

OPERATIONAL DEVELOPMENTS

The Netherlands region continued to execute corporate strategy based on a clearly defined three-tier go-to-market model: the internet for the low end of the SMB market, Exact's reseller network in the traditional SMB market, and a direct market approach in cooperation with system integrators.

Exact Online, which is mainly sold via the internet, continued its accelerating growth curve, passing 4,000 subscriptions in 2007. Based on rewarded high quality and user friendliness and the quick adoption of Exact Online in the highly influential accountancy sector, Exact is well on its way to establish product leadership in the online accounting sector.

Continuous attention has been paid to further improve Exact's strong position in its traditional SMB segment based on Exact Globe and Exact Compact. The close cooperation within Exact's indirect distribution model, with its extensive and highly loyal reseller network, secured a further increase in customer satisfaction and retention. In addition, the license revenue generated by Exact's business partners increased for the first time in 5 years. The Business Made Easy proposition for Exact Synergy continued to be highly successful and was extended with a number of new solution templates.

The traditional mid-market was served with industry-specific solutions based on Exact Synergy. A concise strategy of customer intimacy through direct delivery, in close cooperation with system integrators, resulted in a number of large contract wins like Het Nederlandse Rode Kruis en Slachtofferhulp Nederland.

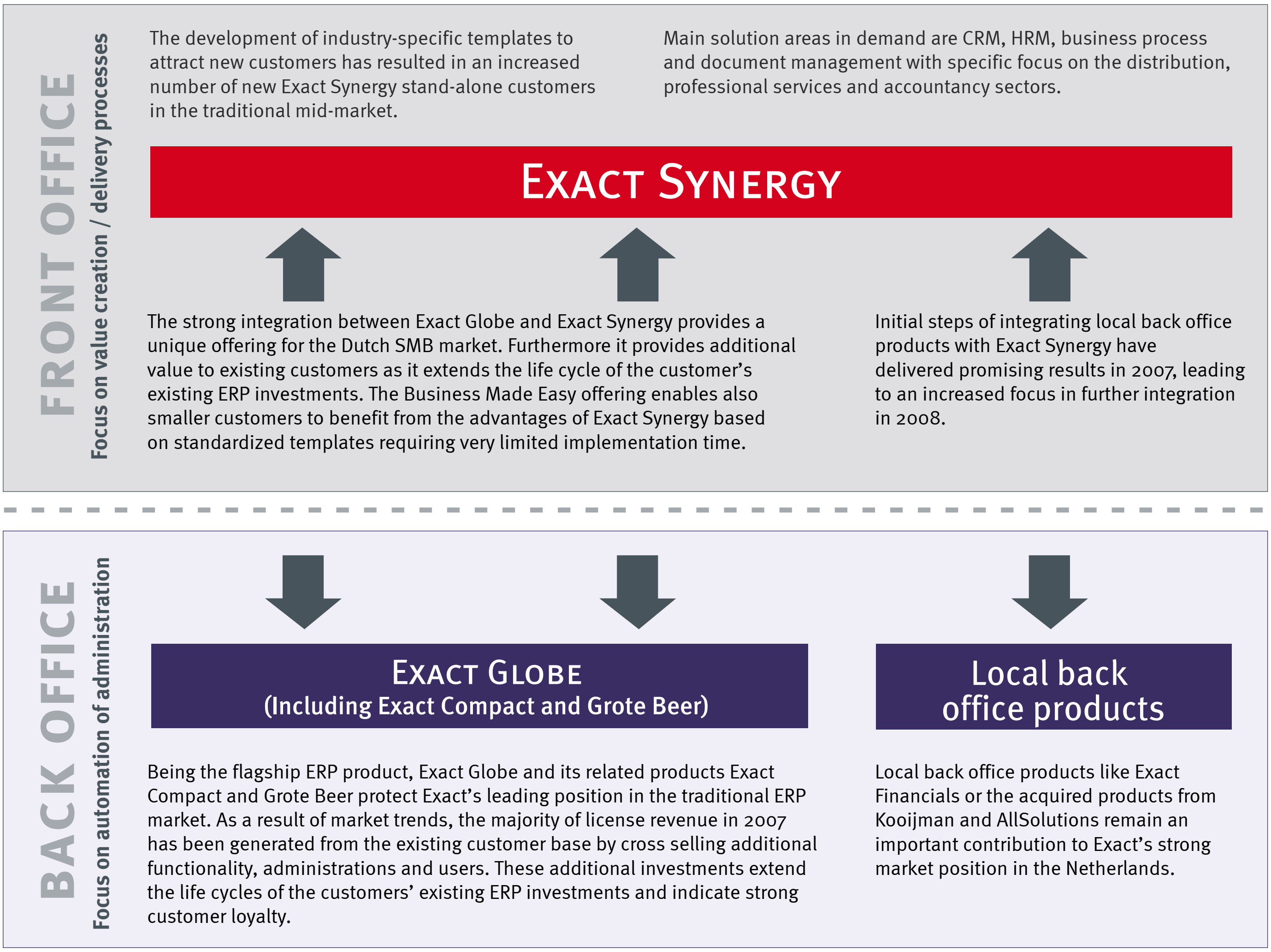
In October 2007, Exact Software was elected "Software Supplier of the Year" for the second consecutive year by the readers of the Netherlands' largest IT magazine *Computable*.

In 2007 Exact Software was elected "Software Supplier of the Year" for the second consecutive year by the readers of the Netherlands' largest IT magazine Computable.

“Based on Exact’s continuous product investments in Exact Globe and joint customer intimacy program, our customers are more satisfied than ever before.” *Erik Pongers, CEO It’s Us B.V.*

Having a **trusted relationship** with our partners plays an instrumental role in maintaining a high level of customer loyalty.

SOLUTION OFFERING FOCUS



OUTLOOK

The Netherlands region will continue to execute Exact's corporate strategy with a strong focus on maintaining the high level of license revenue growth and profitability.

At the lower end of the market, Exact will continue its focus on gaining further market share in number of customers, based on Exact Online. In the traditional SMB market segment, the main focus will be a further penetration of Exact Synergy in the existing customer base and a further improvement of customer satisfaction and retention. This will be mainly driven by the excellent cooperation with Exact's extensive and highly loyal reseller network. The traditional mid-market will continue to be served with industry-specific solution based on Exact Synergy. Increased attention will be paid to the cooperation with system integrators.

While driving revenue growth, particularly in licenses, profitability will remain a clear management focus in 2008.

4.3 EMEA

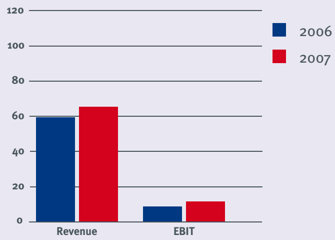
As a result of the organizational realignment, the EMEA region was established, covering 22 countries. A strong focus on the Parenting Strategy and local Exact Synergy initiatives resulted in a strong organic license revenue growth of 8.9% in 2007.

Countries with direct presence:
Austria, Belgium, Czech Republic, France, Germany, Hungary, Ireland, Italy, Kuwait, Morocco, Netherlands Antilles, Nordics, Poland, Portugal, Romania, Russia, Slovakia, South Africa, Spain, Switzerland, United Arab Emirates, United Kingdom

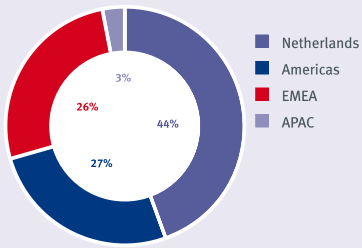
Product offering:
- Exact Synergy
- Exact Globe
- Exact Business Analytics
- Exact Online (Belgium)
- ProAcc (Belgium)
- Lohn XL (Germany)
- Dimoni (Spain)

in millions of euros	2007	2006
Revenue	**65.3**	59.4
EBITDA	**13.0**	10.1
EBITDA Margin	**19.9%**	17.0%
EBIT	**11.6**	8.7
EBIT Margin	**17.8%**	14.6%
No. of employees (average FTE)	**636**	669

Development



Revenue share



PROFILE

The EMEA region was established in April 2007 through the integration of the European, African and Middle Eastern divisions of the former strategic group Exact International with the operations of Other National Markets in Germany, Belgium and Spain. As a result of the integration, this region now covers 22 countries with 25 divisions and has almost doubled in size, with an accumulated revenue of over € 65 million in 2007.

International customer strategy

The EMEA region continues to focus on international companies – either as a second-tier supplier for smaller subsidiaries of large multinationals or as the main partner for small to medium-sized international organizations that deploy a single-tier ERP solution across all affiliates. This successful approach, the Parenting Strategy, was introduced in 2002 and has been a major growth driver since. Exact's international solutions provide its customers with maximum standardization and uniform and rapid implementation worldwide, based on the products that have been specifically designed for small to medium-sized organizations: Exact Globe and Exact Synergy. Exact's solutions are globally available directly from and supported by a network of more than 40 self-owned subsidiaries, which creates a service infrastructure optimized for and committed to international organizations.

Local customer strategy

As a market consolidator in the ERP industry, Exact acquired local leading brands with sizeable customer bases within the EMEA region, resulting in leading market positions in Belgium, Germany and Spain.

As a result of the acquisitions of Cubic in 1994 and Solid Data in January 2007, Exact is the market leader in accounting software for Belgian SMBs. The main focus in Belgium is on the lower end of the SMB market based on Exact's local product offering and Exact Online.

Exact Germany enjoys a leading position in the SMB market with a strong foothold in the payroll solution area. Next to maintaining a commitment to its traditional payroll and ERP applications for the SMB market, Exact is expanding further into the solution-driven, traditional mid-market around its local payroll and Exact Synergy-based HRM solution.

Exact Spain, one of the leading ERP software providers in Spain, has a strong focus on the traditional SMB market with its product line Dimoni, as well as growing the higher mid-market segment with its corporate product lines Exact Globe and Exact Synergy, based on a direct sales model.

FINANCIAL RESULTS

A strong focus on the Parenting Strategy and local Exact Synergy initiatives combined with the organizational realignment has resulted in the following financial achievements:

- Total revenue grew by 9.9% to € 65.3 million (2006: € 59.4 million)
- License revenue increased by 18.1%, fuelled by an organic license revenue growth of 8.9%.
- Solid maintenance and service revenue growth was a result of increased license revenue and improved customer satisfaction.
- EBIT margin continued to improve to 17.8% (2006: 14.6%) as a result of continued operational leverage and cost synergies enabled by combining infrastructure.
- EBIT increased by 33.9% to € 11.6 million (2006: € 8.7 million).

OPERATIONAL DEVELOPMENTS

Through the integration of the European, African and Middle Eastern divisions of the former strategic group Exact International with the European operations of Other National Markets, a major region covering 26% of Exact's total revenue was formed in April 2007. Immediate financial gain was achieved by streamlining the multiple country operations in the UK, Belgium, Spain and Germany and establishing a tclustering model in which management of larger operations also became responsible for smaller operations in neighboring countries.

Continued strong execution of the Parenting Strategy led to contract wins with major customers such as Saint Gobain, Eli Lilly, Adecco, Heineken and Curtec. In the latter part of 2007, EMEA was driving the launch of Exact Synergy Enterprise to existing and new customers, which indicated strong market demand.

Exact Spain continued to be a frontrunner in bringing Exact Synergy to market. Total Exact Synergy-related license revenue peaked at 49% of total license revenue, making Exact Synergy the number one growth driver in Spain, and leading to strong double digit-total revenue growth.

Exact Belgium successfully integrated Solid Data, acquired in January 2007, making Exact the market leader in accounting software for Belgian SMBs. Exact Online was introduced in Belgium as a first market outside the Netherlands and led to more than 500 subscribed companies within a year.

Exact Germany focused on strong EBIT development while establishing new management, improving customer satisfaction and introducing new Exact Synergy HRM offerings that will drive growth again in 2008.

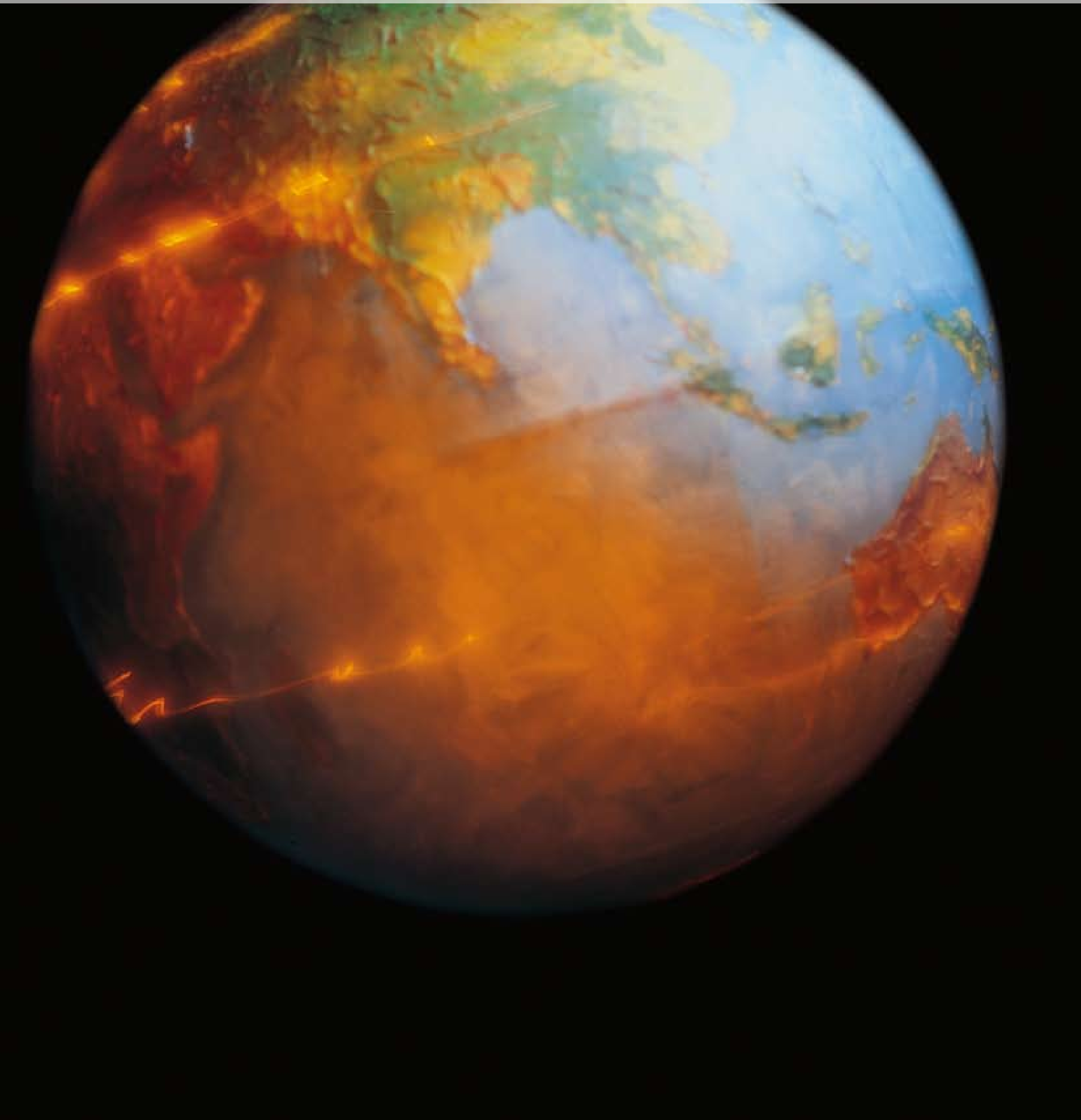
Apart from successful cross- and up-selling within the customer base, EMEA has shown a substantial increase in customer satisfaction in 2007, thus successfully executing the corporate-wide strategy of protecting and securing the maintenance revenue.

The EBIT margin of EMEA continued to improve to 17.8% (2006: 14.6%) as a result of continued operational leverage and cost synergies enabled by combining infrastructure.

“As an internationally growing company with a subsidiary network it is important that we can count on a product that is globally standardized, and that meets local requirements at the same time.” *Vincent Boujnah, CFO Toluna*

Worldwide

Successful execution of the Parenting Strategy contributed substantially to organic license growth of 8.9% in EMEA.



SOLUTION OFFERING FOCUS

FRONT OFFICE

Focus on value creation / delivery processes

The development of industry-specific templates to attract new customers in the mid-market has resulted in an increased number of new Exact Synergy stand-alone customers.

Main solution areas in demand are CRM, HRM and business process management. Spain continues to be a frontrunner particularly strong in the construction and professional services sectors.

EXACT SYNERGY

Based on the strong integration between Exact Globe and Exact Synergy, the Parenting Strategy has been enriched with Exact Synergy, providing headquarters a consolidated view and enabling subsidiaries to extend their solution into front office processes.

The integration of local back office products with Exact Synergy provides existing customers with additional value and further reinforces customer retention. In Germany Exact Synergy has been integrated with Lohn XL, extending the value of payroll administration to HRM. In Spain the combination of Dimoni and Exact Synergy allows back and front office processes to be integrated.

BACK OFFICE

Focus on automation of administration

EXACT GLOBE

Being the flagship ERP product within the region, Exact Globe targets mainly international customers, enabling to use one back office solution globally. The Parenting Strategy drives the demand for Exact Globe and leads to growth beyond the traditional ERP market average.

Local back office products
(DIMONI, LOHN XL, PROACC, CUBIC)

EMEA maintains a leading position local SMB markets. Spain covers traditional ERP, Belgium focuses on accounting and Germany on payroll administration. As a result of market trends, the majority of license revenue in the traditional ERP business in 2007 was generated from the existing customer base by cross-selling additional functionality, administrations and users. These additional investments extend the life cycles of the customers' existing ERP investments and indicates strong customer loyalty.

OUTLOOK

In 2008, the EMEA region will continue to focus on its Parenting Strategy with increased attention to headquarter business by making Exact a strategic partner for facilitating international expansion.

The increased focus on Exact Synergy Enterprise, the market leadership position in Belgium, and continued growth in Spain, Germany, the Middle East and Central and Eastern Europe will contribute to the overall growth of the region in 2008. As a result of improved customer satisfaction, the cross- and up-selling potential is expected to increase in 2008.

While driving revenue growth, particularly in licenses, profitability will remain a clear management focus in 2008.

4.4 *Americas*

The newly formed Americas region combines Exact's operations in North, Central and South America. Total revenue at constant currencies grew by 4.9% to € 70.3 million (2006: € 67.0 million) resulting in the Americas being Exact's second largest region.

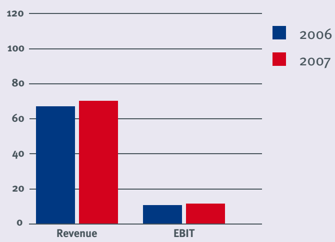
Countries with direct presence:
Argentina, Canada, Chile, Colombia, Ecuador, Mexico, Peru, USA

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

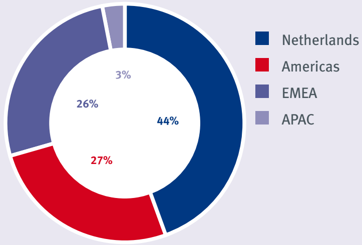
in millions of euros *	2007	2006
Revenue	70.3	67.0
EBITDA	13.4	12.0
EBITDA Margin	19.1%	17.9%
EBIT	12.1	10.7
EBIT Margin	17.2%	16.0%
No. of employees (average FTE)	779	758

* At constant currencies and excluding a one-off charge of € 1.9 million to settle a legal case in the USA

Development



Revenue share



PROFILE

As a result of the organizational realignment, the Americas region was formed by combining Exact North America with Exact International's Central and South American divisions and with Exact Siigo in Colombia.

Exact has a solid reputation in the Americas in delivering products and services to the SMB and traditional mid-market. Along with delivering its global products, Exact enjoys strong product name recognition with its local back office products Exact Macola, Exact JobBOSS, Exact Max and Siigo. With over 20,000 customers, 11 offices in North America, and 6 offices in Latin American countries, the Americas region is strategically positioned to capture the market opportunities with a combination of its local product offering and Exact's corporate product lines.

The Americas region has several well-known and well-positioned back office products with a strong focus on the manufacturing and distribution sectors in North America.

Macola is a full-suite ERP product that has been specifically designed for the distribution and manufacturing industries in the traditional mid market. JobBOSS is a product offering positioned for small to mid-size job shops predominantly located within North America. Siigo is a traditional, horizontal ERP product offering for the Latin American SMB market with a strong focus on Colombia. The local product offering works in conjunction with Exact Synergy, providing existing and new customers with additional value around front office processes. Exact Globe targets in the Americas mainly international customers, facilitating Exact's fast growing Parenting Strategy.

The Americas region uses a multichannel sales and marketing strategy and in addition to its own direct and indirect sales people, Exact has more than 50 channel partners distributed geographically. This extended network, in partnership with Exact worldwide, provides Exact with both local touch and global reach as a competitive advantage.

FINANCIAL RESULTS

A strong focus on the existing customer base and the integration of the Central and South American subsidiaries with Exact's North American operations has led to the following financial achievements in this newly formed region:

- Total revenue at constant currencies grew by 4.9% to € 70.3 million (2006: € 67.0 million).
- Including a negative foreign exchange rate impact of € 4.8 million total revenue declined by 2.3% to € 65.5 million (2006: € 67.0 million)
- Despite the substantial negative foreign exchange rate impact, service revenue grew 8.2%, partly as a result of the acquisition of alphaSIGMA.
- Maintenance and license revenue increased slightly on an organic basis, but declined as a result of the substantial negative foreign exchange rate impact.
- At constant currencies and excluding a one-off charge of € 1.9 million to settle a legal case, Americas EBIT increased by 13% to € 12.1 million (2006: € 10.7 million), representing an EBIT margin of 17.2% (2006: 16.0%).
- Including the one-off charge and at current exchange rates, Americas EBIT declined by 9.2% to € 9.7 million (2006: € 10.7 million), representing an EBIT margin of 14.8% (2006: 16.0%).
- Excluding the one-off charge of € 1.9 million, the North American operations on a stand-alone basis (the former Strategic Group North America) substantially increased the EBIT margin to 19.0% (2006: 15.7%) as a result of continued focus on improving profitability.

OPERATIONAL DEVELOPMENTS

In 2007, the Americas region was formed by combining Exact North America with Exact International's Central and South American divisions and with Exact Siigo in Colombia.
This organizational realignment allows for more cross-selling opportunities within the customer base. It also helps facilitate the execution of Exact's global Parenting Strategy.

The Americas region also continued its operational efficiencies, which resulted in continued growth in EBIT. At the same time achievement of high single- and double-digit organic license growth for its JobBOSS and Siigo product lines continued.

Several initiatives took place in 2007 with respect to protecting the installed base. The most notable initiative was Engage 2007, which is an annual customer event. Over 1,000 customers attended the event, which was held in Dallas, Texas in April.

In April 2007 specific assets of alphaSIGMA, an existing business partner located in Chicago, Illinois, were acquired. These assets have been fully integrated with the existing Chicago office and have helped expand the regional network in the Midwest.

Exact's Business Empowerment offering is providing a competitive advantage in attracting new customers. Major contract wins in the Americas that include Exact Synergy in combination with local back office products are NAUI Services, and Alexia Foods. Along with new site license sales, add-on sales continued to achieve solid growth, reinforcing the strong customer loyalty that Exact Americas enjoys.

Excluding a one-off charge, the North American operations (the former Strategic Group North America) substantially increased EBIT margin to 19.0% as result of continued focus on profitability.[1)]

1) In September 2007, Exact reached an out-of-court settlement of an ongoing legal dispute with one of its former distributors in the USA, reported in the annual reports of 2005 and 2006. The settlement was reached in the best interest of the company, and resulted in a one-off additional charge of € 1.9 million in 2007.

"Exact Macola and Exact Synergy products provide us with powerful features and functionality with minimal IT involvement. We couldn't ask for more." *Ken Anderson, Controller CH Products*

A **strong** customer **base** provides Exact with significant cross-sell opportunities for Exact Synergy within the traditional ERP market. Currently 10% of Exact Macola customers already use Exact Synergy.

SOLUTION OFFERING FOCUS

FRONT OFFICE

Focus on value creation / delivery processes

The development of industry-specific templates has resulted in an increased number of new Exact Synergy customers in the traditional mid-market in Latin America.

Based on Exact Synergy Enterprise, increased focus will be put on attracting stand-alone customers in the North American market, especially in the professional services sector.

EXACT SYNERGY

The integration of local back office products with Exact Synergy provides existing customers with additional value and further reinforces customer retention, as it extends the life cycle of the customer's existing ERP investments. Exact Synergy has already been cross-sold very successfully to Exact Macola customers, leading to a penetration rate of 10%. In 2008 increased focus will be put on further penetrating the Exact MAX and Exact JobBOSS customer base.

Based on the strong integration of Exact Globe and Exact Synergy, the combination of both products is used in the Americas region to target mid-sized service organizations with a strong focus on project-driven sectors.

BACK OFFICE

Focus on automation of administration

Local back office products
(EXACT MACOLA, EXACT JOBBOSS, EXACT MAX, SIIGO)

In 2007 the majority of license revenue for Exact Macola was generated from the customer base by cross-selling additional functionality and users. This extends the life cycles of customers' ERP investments and indicates strong customer loyalty. Exact JobBOSS and Siigo were highly successful in generating new business leading to strong license revenue growth in 2007.

EXACT GLOBE

Being Exact's global ERP offering available in 40 languages and legislations, Exact Globe targets mainly international companies in the Americas, facilitating Exact's fast growing Parenting Strategy.

OUTLOOK

The Americas region will continue to execute Exact's corporate strategy. In 2008 Exact Synergy Enterprise will be introduced to the American market. This rollout will allow the Americas region to not only focus on its existing customer base but to better grasp new market opportunities.

Both Siigo and JobBOSS are expected to continue with strong license growth in their respective markets. Increased focus will be put on further penetrating the Exact MAX and Exact JobBOSS customer base with Exact Synergy. Exact Macola will continue to cross-sell Exact Synergy, additional back office functionality and users to the existing customer base, extending the life cycles of customers' existing ERP investments. Cross-selling new products and services to the existing customer base will continue to drive service revenue growth.

Based on continued operational leverage, profitability will remain a clear management focus in 2008.

4.5 APAC

As a result of the organizational realignment, Exact's operations in Asia and Australia now form the APAC region. With a revenue growth of 16.1% fueled by an organic license revenue growth of 32.2%, APAC was Exact's fastest growing region in 2007.

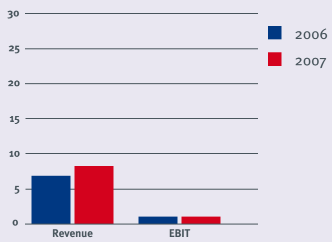
Countries with direct presence:
Australia, China, Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, Thailand, Vietnam

Product offering:
- Exact Synergy
- Exact Globe
- Exact Business Analytics

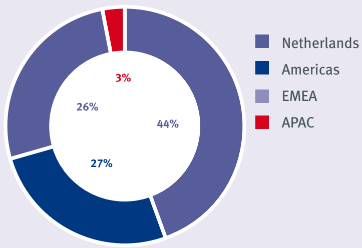
in millions of euros *	2007	2006
Revenue	8.2	6.9
EBITDA	0.9	1.2
EBITDA Margin	11.1%	17.1%
EBIT	0.7	1.0
EBIT Margin	8.9%	14.8%
No. of employees (average FTE)	146	125

* At constant currencies.

Development



Revenue share



PROFILE

As a result of the realignment of the organizational structure, the subsidiaries of Exact International in Asia and Australia now form the APAC region. Although it is the smallest region within the group, APAC has potential for growth both in terms of revenue and in terms of operating income, as confirmed by macroeconomic and industry-specific trends. The new operating model, in which the APAC region reports directly to the corporate headquarters, enables better corporate management focus and attention to capture opportunities in the region.

While Exact has been active within the region for less than 10 years, it has one of the largest direct presences among the SMB enterprise vendors, with 11 subsidiaries in 10 countries. Exact focuses on the SMB market, and thus is also one of the largest ERP vendors in the SMB market in many key countries in the region. An example is China, the largest economy of the region, where Exact is among the top two global enterprise vendors in the SMB market. Exact mainly sells directly to its customers in the region, with a limited number of resellers supporting Exact in geographical areas that it does not cover.

Exact differentiates itself from most competitors by having local teams that are able to support customers in the local language and adapt to local culture. Thus, with the large network of offices in all key countries and the localized software offerings, Exact is able to target and win international customers.

Exact is ideally positioned to tap on both the traditional and extended ERP market with its Business Empowerment Software offerings, and is expected to benefit greatly from the vibrant economies of Asia.

FINANCIAL RESULTS

Increased attention to the newly formed APAC region has resulted in the following financial achievements:

- Total revenue at constant currencies grew by 18.8% to € 8.2 million (2006: € 6.9 million), resulting in APAC being the fastest growing region within Exact.
- Including a negative foreign exchange rate impact of € 0.2 million, total revenue increased by 16.1% to € 8.0 million (2006: € 6.9 million).
- Organic license revenue grew very strongly by 32.2% to € 3.5 million (2006: € 2.7 million).
- EBIT amounted to € 0.8 million (2006: € 1.0 million), reflecting a decrease in EBIT margin to 10.4% (2006: 14.8%) due to the negative impact of a one-time bad debt provision of € 0.3 million.

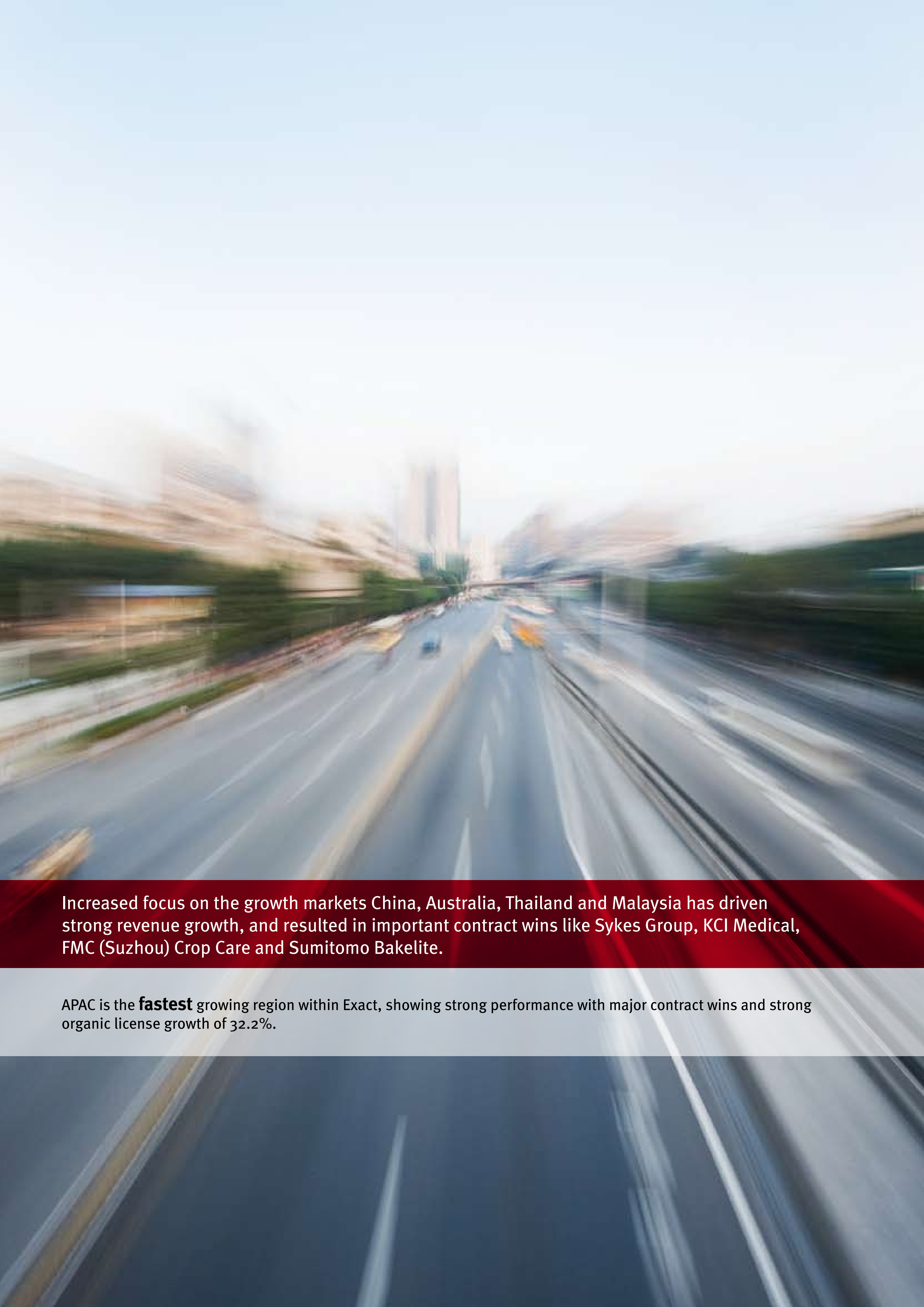
More than three-quarters of new license sales are derived from traditional ERP products, which are still experiencing strong double digit-growth in the region.

OPERATIONAL DEVELOPMENTS

In 2007 the APAC region strengthened its operational infrastructure and made significant changes to its management team at the subsidiary level. Exact also set up a regional back office to complement and support the subsidiary operations. As a result, all key APAC countries grew very strongly and experienced record license revenue growth of 29.6%. Some of the countries that showed very strong license growth are Malaysia, Thailand, Vietnam, Australia, China and Japan. Thus, in 2007 Exact's market share was increased in many countries.

More than three-quarters of new license sales are derived from Exact's traditional ERP offerings, which are still experiencing strong double digit growth in the region. Newer offerings such as Exact Synergy are also growing significantly in the more matured economies of Asia.

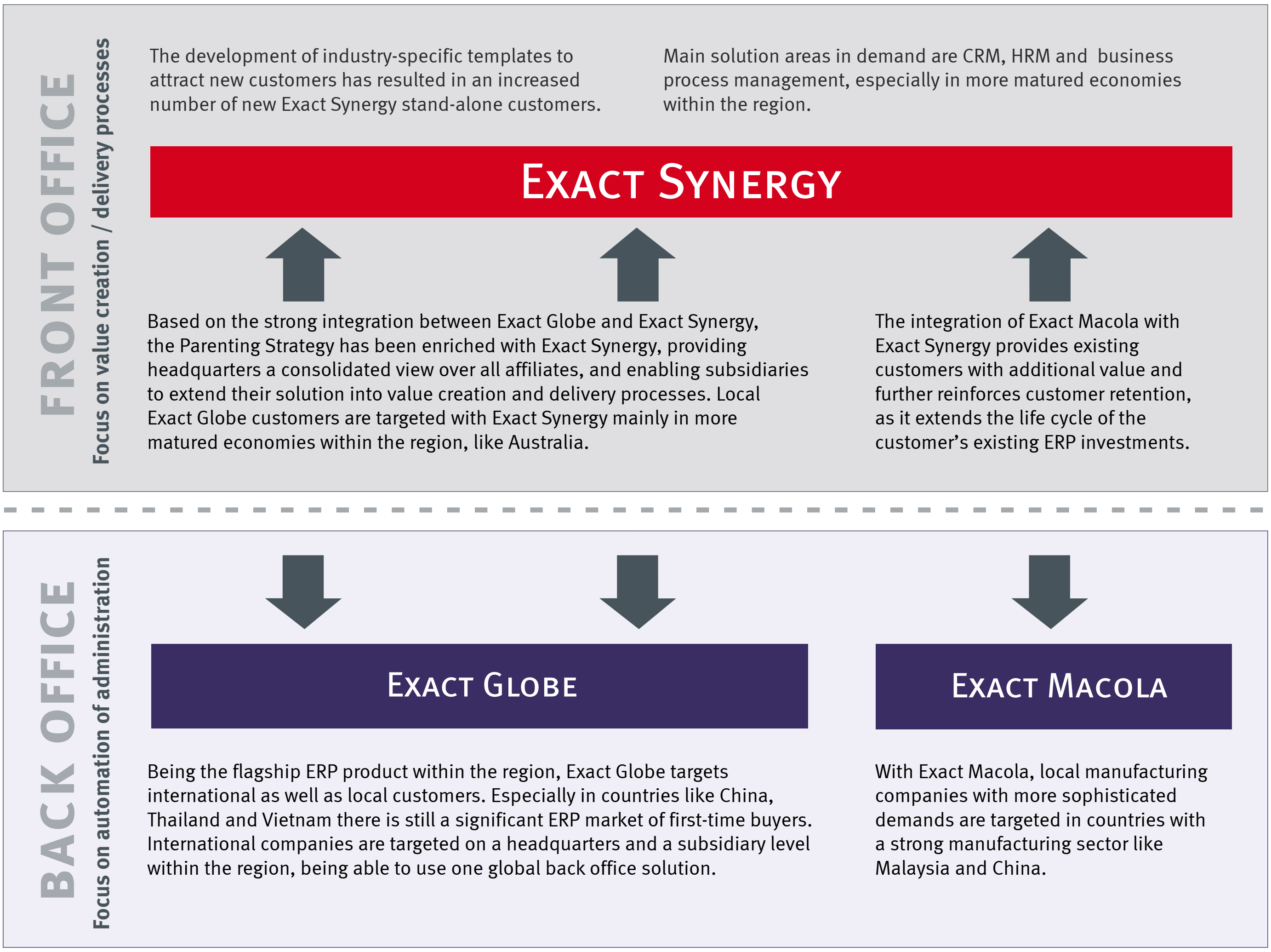
With a solid operational presence at subsidiary level and strongly supported by a regional back office, Exact has increased its number of large contracts with large wins such as Sykes Pump (Australia), Westan Technologies (Australia), St John Ambulance (Australia), Sweda (HK), Mizuho (Thailand), SAAG (Malaysia) and 3D Networks (Malaysia).



Increased focus on the growth markets China, Australia, Thailand and Malaysia has driven strong revenue growth, and resulted in important contract wins like Sykes Group, KCI Medical, FMC (Suzhou) Crop Care and Sumitomo Bakelite.

APAC is the **fastest** growing region within Exact, showing strong performance with major contract wins and strong organic license growth of 32.2%.

SOLUTION OFFERING FOCUS



OUTLOOK

In 2008, the APAC region will continue to focus on Exact's Parenting Strategy with increased attention to key countries like China, Australia, Malaysia and Japan.

While the introduction of Exact Synergy Enterprise will provide additional revenue opportunities in more mature economies within the region, the majority of license revenue will continue to be generated with Exact's traditional ERP offering.

While also paying attention to profitability, driving revenue growth – particularly in licenses – remains management's top priority in the APAC region.

5. Other Company Information

5.1 Corporate Sustainability and Social Responsibility

Exact considers corporate sustainability to be an integral part of its strategy, day-to-day business operations and management decisions. In order to ensure and continue its core objective and track record as a profitable, growing and sustainable company that produces benefits for all its stakeholders, Exact is committed to achieve the optimum balance between people, technology and profits.

By closely monitoring local, national and international developments, Exact ensures optimal and lasting corporate sustainability.

SOCIAL AND HUMAN RESOURCES STRATEGY

Exact considers its employees to be the most important resource and driving force behind achieving its objectives. In order to create an environment in which every employee is inspired to achieve personal and professional growth, Exact has formally recognized human resources as a strategic discipline throughout its organization. Exact has formulated the HR Roadmap as integral part of the strategic road maps, and has recently introduced a new Job House to become a real people company (see also chapter 3.4).

EXACT EMPLOYEES

Exact has a highly diverse and multicultural workforce. Of the entire workforce 61% is male and 39% is female. Exact employs 51 different nationalities, working in more than 40 countries worldwide. Of the total number of management positions, 27% is held by female employees. More than 55% of the employees are under the age of 35.

As Exact considers diversity – creating a dynamic and inspirational environment – as one of its greatest strengths, it retains and recruits mainly local employees for subsidiaries in all the countries in which it operates. In addition, Exact offers employees and applicants equal opportunities regardless of gender, race or religion. The working language within Exact is English, as the main international business language.

HEALTH AND SAFETY

Health and safety of its employees has a high priority within Exact. In line with this, 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.

EDUCATION AND TRAINING

Exact considers people to be its most important resource and the driving force behind achieving its objectives. Their know-how and expertise represent an important part of its future. Exact's human resource strategy reflects its commitment to creating an environment in which every employee is inspired to achieve personal and professional growth, while leveraging his/her talents and skills to the fullest.

To this end, Exact introduced value-based recruiting in order to attract and retain people who fit Exact's culture. In order to facilitate the development of its staff and enable employees to grow and perform well, Exact introduced the Job House in 2007.

Exact provides its employees with the opportunity to further develop their talents and skills through the education and training provided by Exademy, Exact's Corporate Center of Learning, located in Delft, the Netherlands.

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 a 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 and is available at www.exactsoftware.com.

In the year under review, Exact did not receive any reports of breaches.

ENVIRONMENT

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. In line with this, Exact endorses the paperless office through the extensive and efficient use of Exact Synergy as a communication and document management tool. Challenged by the established Green Team at the corporate headquarters, Exact and its employees come up with initiatives such as collecting and disposing of various waste streams like paper in a responsible manner and increasing energy efficiency within Exact. Exact frequently uses video conferences for board meetings in order to minimize traveling and has a restrictive policy on providing company cars and their use by employees.

The development of a new corporate headquarters for Exact, which is planned to be taken into use in 2009, symbolizes a new phase in its development as a people company. With the construction, special attention is paid to energy efficiency and the use of durable materials. Since the building will be located on the grounds of the Technical University Delft, next to the highway, it will be easily accessible by both private and public transport.

"It is almost impossible to calculate how much time we have gained. We can't work without Pick-IT anymore." *Han Putten CEO Heavac*

Pick-IT, the bar-coding solution acquired by Exact in 2005, was initially only sold to customers in the Netherlands. Since its **integration** with Exact Globe in 2007, it is being sold and implemented in 18 countries. Pick-IT is now a truly global solution.

5.2 Share and Shareholder Information

INVESTOR RELATIONS

Exact places paramount importance on good, 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 our company, the business, our 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, 2007, 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.

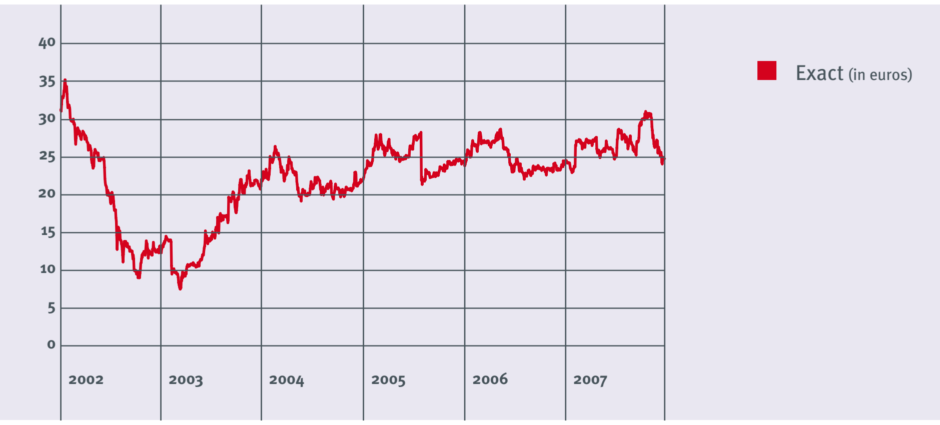
The shares of Exact are listed on Euronext Amsterdam. Exact is included in the Amsterdam Small Cap Index (AScX), with a weighting factor of approximately 2.9% of the index. Based on the closing price of Exact's share on December 31, 2007, Exact has a market capitalization of € 595 million.

TOTAL SHAREHOLDER RETURN

The total shareholder return for 2007 amounts to 10.1% (2006: 7.0%). For the period 2005 till 2007 total shareholder return amounted to 30.4%.

Share data	2007	2006
Information per share (fully diluted, in euros)		
Operating income	**2.07**	1.91
Net income	**1.59**	1.42
Operating cash flow	**2.02**	1.73
Dividend	**1.59**	1.42
Total shareholder return (TSR)	**10.1%**	7.0%
Shareholders' equity at year end	**6.78**	7.60
Share price		
High	**31.00**	28.67
Low	**23.05**	22.04
Year end	**24.77**	24.48
Average daily volume	**57,792**	43,232
Average number of shares outstanding (thousands)		
Basic	**24,032**	24,032
Diluted	**24,032**	24,035
Issued	**24,400**	24,400
Outstanding shares	**24,032**	24,032
Treasury stock	**368**	368

Share price movement 2003–2007



DIVIDEND POLICY

The company's dividend policy is a net dividend payout of 100% of its net income in any year in which it does not execute a material acquisition. As a result of its strong and sustainable cash flow, the dividend policy of 100% net pay-out will be followed despite execution of a material acquisition during 2007.

In August 2007 Exact paid an interim dividend of € 0.76 per share. At the Annual General Meeting of Shareholders on April 24, 2008, a final dividend of € 0.83 shall be proposed to shareholders, amounting to a total dividend of € 1.59 for 2007.

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 more than 5% of the listed shares:

A.R. van Nieuwland	15.7%
E. Hagens	14.9%
M.J. Dekker	13.9%
Aviva plc	7.5%
Delta Deelnemingenfonds	6.1%

As member of the Board of Managing Directors:
CEO Raj Patel holds per December 31, 2007, 20,992 shares in the capital of Exact (0.1% of total listed shares). As reported to the AFM the number of Exact shares, that Raj Patel holds as per the date of this annual report, has increased to 33,392 (0.14% of total listed shares).

The members of the Supervisory Board do not hold any shares in the capital of Exact.

FINANCIAL CALENDAR 2008

Annual General Meeting of Shareholders	April 24, 2008
Ex-dividend date	April 28, 2008
Record date	April 30, 2008
Dividend available for payment	May 15, 2008
Publication half-year results	July 24, 2008

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 were truly impressed by the vast expertise of the Exact consultant and his proactive approach. This made the challenge of implementing new software a rewarding experience.”
Zsolt Kiss, Marketing Manager, Calmit Hungária Kft

At Exact, 41% of the employees are dedicated to **customer** service, underlining our commitment to attaining a high level of customer intimacy and **satisfaction**.

5.3 *Risk Management*

GENERAL

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

Exact uses its own software (Exact Globe and Exact 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 Synergy also provides qualitative management information related to the development of the prospect portfolio and the planning / capacity usage of consultants.

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

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

Exact has developed guidelines and procedures for financial reporting, budgeting and planning processes, risk management, treasury, and human resource management. These guidelines and procedures are periodically reviewed and revised when necessary. Exact trains its 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 less susceptible to the changes of the business climate. At present some 50% of the total revenues 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 limit these risks as far as possible through careful selection of candidates and through detailed analysis and evaluation during the acquisition process. A multidisciplinary project team ensures swift and efficient integration of new acquisitions. Acquisitions will only be done in line with Exact's stated acquisition policy and should provide leverage for Exact's core products, Exact Globe, Exact 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 a dedicated Product and Technology Board. New market developments are closely monitored by the research centers in Delft and Silicon Valley.

Human resources

While delivering (software) solutions for its customers is Exact's central objective, Exact recognizes that the employees are its 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 for 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 Exact 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. Although in 2007 Exact generated approximately 23% of its revenues in US dollar, the impact of the US dollar exchange rate fluctuations on EBITDA and net income was limited because of a natural hedge through expenses in US dollar and expenses in currencies fluctuating in line with the US dollar. For 2008 a change of € 0.01 in the euro-to-dollar exchange rate has an effect of approximately € 1.0 million on total revenue, € 1.4 million on the intangible fixed assets, € 0.3 million on the trade receivables and € 0.4 million on the deferred revenue balance position.

Tax risk

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 are adequately cover possible exposure.

Financing

Exact has a strong balance sheet and freely available cash resources in excess of approximately € 69 million. This strong balance sheet coupled with the historically strong operational cash flows, means that Exact believes it currently has no financing risk.

Litigation risks

Exact is involved in a number of legal proceedings. Although Exact believes it has sound legal grounds to defeat all these claims, it has established sufficient provisions to cover possible future exposure.

Please note that this overview of risk factors is not exhaustive and Exact may be subject to significant other risks that have not yet been identified or 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 Audit Committee of 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 Exact'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 risk management and internal control systems will not work properly in the current year.

Exact uses its own software worldwide, which enables management to monitor and authorize all transactions on a real-time basis.

Nevertheless the Board of Managing Directors has initiated a project to review the internal risk management and control systems currently in place, and where necessary make recommendations for improvement. Several functional disciplines are represented in this project team and the project focuses on processes, structure and validity of the internal systems.

It is important to note that the proper design and implementation of a risk management and internal control system significantly reduces 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 Exact's standing policies, procedures and instructions may deteriorate.

5.4 Corporate Governance

COMPLIANCE WITH THE DUTCH CORPORATE GOVERNANCE CODE

Exact acknowledges that good corporate governance is in its own best interests and that of its stakeholders. The commitment of Exact to adhere to the present-day principles of corporate governance, which were adopted by the Annual General Meeting of Shareholders in 2005 and outlined in detail in the Annual Report 2005, was therefore maintained and left unabridged in 2007.

Exact's corporate website (www.exactsoftware.com) contains the following information and documentation as prescribed in the Dutch Corporate Governance Code ('the Code'):

- Articles of Association of Exact Holding N.V.
- Regulations for the Board of Managing Directors
- Regulations for the Supervisory Board and its Committees
- Profile and composition of the Supervisory Board
- Composition of the Committees
- Remuneration Report
- Whistleblower regulations
- Regulations for ownership and transactions in shares
- Minutes of the General Meetings of Shareholders

Exact has implemented the Code with due allowance for its status as a relatively small listed company and the need for efficient working procedures. As a result, a small number of best practices have not been adopted by Exact, for reasons explained hereunder.

II.1.3: For further information with respect to internal risk management and control mechanisms, please see the 'Financial Reporting and Risk Management' chapter. Exact is in the process of drafting a code of conduct, which will be published on its corporate website.

II.2.3: Three years after the conditional shares have been awarded to the Board of Managing Directors (in 2006), in accordance with the long-term remuneration plan, these shall be considered as unconditional, depending on the realized performance.

II.2.6/III.7.3: The members of the Board of Managing Directors and the Supervisory Board do not see the added value of a quarterly report by the Board of Managing Directors of the securities which they own and changes thereof in other listed Dutch companies. The managing directors do not ascertain – based on their position within Exact – a close relationship with large financial networks or institutions, which could lead to a potential risk of obtaining inside information on other listed Dutch companies. Insofar as the managing directors do obtain inside information on other Dutch listed companies, the managing directors are bound to the general legal obligations with respect to insider knowledge. From that perspective, the Board of Managing Directors and the Supervsiory Board do not see added value in a separate reporting by the managing directors of ownership and changes thereof in other listed Dutch companies.

Under the regulations for ownership and transactions in shares, the members of the Board of Directors and the Supervisory Board report the securities they hold and changes thereof in companies that are established in the Netherlands and are quoted on the Amsterdam stock exchange one month after the end of a calendar year to the compliance officer.

II.2.11: Exact does not disclose the target criteria for the remuneration of the Board of Managing Directors as these criteria are considered competition-sensitive information. For further information on the remuneration and the remuneration policy for the Board of Managing Directors as well as the functioning of the Remuneration Committee of the Supervisory Board, please see the chapter Report of the Supervisory Board.

III.3.6: The Supervisory Board's retirement schedule currently equals the term of office since all members were appointed at January 25, 2005. Once their current term of office expires in 2009, a new retirement schedule shall be drafted to prevent retirement of all Supervisory Board members at the same time.

EXPLANATORY NOTES ON ARTICLE 10 OF THE TAKEOVER DIRECTIVE

Pursuant to the Implementing Decree of April 5, 2006 relating to Article 10 of Directive 2004/25/EC on takeover bids of April 21, 2004 of the European Parliament and the Council of the European Union, Exact includes the following explanatory notes:

As at December 31, 2007 Exact had issued 24,400,405 ordinary shares, including 7,372,378 registered shares. Exact holds 345,268 registered and 22,793 bearer shares in its own capital. There is only one type of ordinary shares and there are no share certificates issued.

The Articles of Association do not provide for any limitation of the transferability of the (registered) ordinary shares.

Significant direct and indirect shareholdings are set out in the 'Share and Shareholder Information' chapter, under the section 'Disclosure obligation for major shareholders'.

No securities with special control rights have been issued.

Exact currently does not hold any employee share scheme in which the control rights are not exercised directly by the employees.

The voting right is not subject to any limitation. All shares (both ordinary and registered) entitle the holder to one vote per share.

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

The appointment, suspension and discharge of the members of the Board of Managing Directors and Supervisory Board are set out in respectively article 11 and 14 of the Articles of Association. The procedure for amendment of the Articles of Association is set out in article 25 thereof. The Articles of Association are published on the corporate website (www.exactsoftware.com).

By virtue of respectively article 8 paragraph 1 and article 9 paragraph 3 of the Articles of Association, in the General Meeting of Shareholders of April 25, 2007 the Board of Managing Directors was assigned as authorized body to issue shares, respectively repurchase shares for a period of 18 months.

The long-term incentive plans for the managing directors provide for a change of control clause.

Any severance payments due to termination of the employment of managing directors following a public takeover bid are maximized to an amount of two years fixed salary.

6. Report of the Supervisory Board

6. Report of the Supervisory Board

6.1 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, CFO of Fortis Bank
Nationality: Dutch
Date of initial appointment: January 25, 2005
Current term of office: 4 years

Other positions:
- Chairman of the Supervisory Board of Fornix BioSciences N.V.
- Chairman of the Supervisory Board of GWK Travelex Bank N.V.
- Chairman of the Supervisory Board of Achmea Bank Holding N.V.
- Chairman of the Supervisory Board of Staal Bankiers N.V.
- Chairman of the Supervisory Board of Welke Beheer B.V.
- Chairman of the Supervisory Board of Innovane N.V.
- Member of the Supervisory Board of Eureko B.V.
- Member of the Supervisory Board of Mizuho Corporate Bank (Netherlands) N.V.
- Member of the Supervisory Board of the Nederlandse Brandwonden Stichting
- Member of the Sijthoff Prijs 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, Chairman of the Government Task Force for Youth Unemployment, 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 the Supervisory Board of Sperwer Groep
- Chairman of Innovation Platform United Services Group N.V.
- Chairman of the Advisory Board of LSI Project Investment N.V.
- Member of the Supervisory Board of Vroegop & Ruhe B.V.
- Member of the Supervisory Board of the Mondriaan College
- Member of the Supervisory Board of USUS B.V.
- Member of the Supervisory Board of UWV
- Member of the Supervisory Board Chamber of Commerce Netherlands
- Member of the Advisory Council Zorgverzekeraars Nederland
- Member of the Government Innovation Platform
- Member of various committees

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 various Orange funds (specialized investment funds of Kempen & Co)
- Chairman of the Supervisory Board of DSB Bank N.V., DSB Schade N.V. and DSB Leven N.V.
- Chairman of the Supervisory Board of PCM Uitgevers B.V.
- Member of the Supervisory Board of CRV Holding B.V.
- Member of the Supervisory Board of Ontwikkelingmaatschappij Oost Nederland N.V.
- 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 best practice provision III.2.1 of the Dutch Corporate Governance Code.

6.2 Report of the Supervisory Board

GENERAL

We hereby submit the 2007 Annual Report of Exact Holding N.V. The annual accounts have been prepared by the Board of Managing Directors of Exact and have been audited and certified by Ernst & Young Accountants.

The Supervisory Board recommends the General Meeting of Shareholders to approve and adopt the Annual Accounts 2007, including the profit appropriation and dividend distribution and to discharge the members of the Managing Board and Supervisory Board for 2007.

For Exact, 2007 was the year of further developing, implementing and executing the strategy that the Board of Managing Directors developed and introduced in 2005. This strategy and the concise execution thereof, designed to maximize Exact's values and leverage Exact's assets to drive organic and acquisitive growth, have resulted in sound financial results for 2007. The strategy is based on three pillars: Protect, Grow and Acquire, which all have been carefully and successfully executed in 2007. This is demonstrated by the accelerated organic license revenue growth, the successful launch and expansion of Exact Synergy and the execution and integration of three targeted acquisitions in 2007.

In line with its corporate strategy to drive continued growth and profitability for the coming years and facilitate the execution of the strategy, the Board of Managing Directors introduced and implemented a new corporate structure and aligned the internal processes. As a result, Exact has restructured its strategic group structure into geographical regions, whereby multiple divisions within a country are merged into one country operation (except for the Netherlands and the USA) and created strategic units at a corporate level to drive global initiatives. These strategy units will facilitate the go-to-market of strategic initiatives with a global market potential and create substantial leveraging opportunities. With this successful restructuring, Exact will be able to profit better from economies of scale, leverage product lines and customer bases, and will be better equipped for M&A integration.

The restructuring of the organization has been accompanied with a successful internal rollout of Exact Synergy Enterprise, which was commercially launched in October 2007, as the uniform reporting and control tool for the entire organization. Exact made three acquisitions during 2007. The first, announced in January 2007, was Solid Data N.V./S.A in Belgium. The second, announced in April 2007, was alphaSigma Consulting LLC in the United States of America and the third, qualifying as the largest acquisition in Exact's history, was Longview Solutions Inc. in Canada, acquired in November 2007. The Board of Managing Directors made investigations into several other potential acquisition candidates, which, however, did not meet the criteria for takeover determined in the acquisition strategy. Exact will continue to investigate possibilities to acquire companies that are in line with its strategic goals.

The Supervisory Board is very pleased with the way the Board of Managing Directors has been able to develop and successfully implement the strategy it has chosen and developed and is confident that the strategy will prove, in future, to be the solid foundation for further growth of Exact. The fact that Exact has won, for the second consecutive time the award for "Best Software Company of the Netherlands" and the fact that Exact's CEO, Raj Patel has won the "CEO of the Year" award in the Netherlands, confirms that the markets have recognized the effective changes that the Company has made, under the current Board of Managing Directors.

The Supervisory Board is pleased to see a continued growth in revenue to € 252.1 million and a growth of EBIT to € 49.8 million in 2007. Exact has again clearly demonstrated that it generates a continuously strong and sustainable cash flow, whilst maintaining, even after dividend payout and cash-paid acquisitions, a very strong balance sheet. The company's dividend policy is a net dividend payout of 100% of its net income in any year in which it does not execute a material acquisition. As a result of its strong and sustainable cash flow, the dividend policy of 100% net pay-out will be followed despite execution of a material acquisition during 2007. Therefore, the Board of Managing Directors will propose to the Annual General Meeting of Shareholders a final dividend payout of € 0.83 per share, amounting to a total dividend for 2007 of € 1.59 per share.

SUPERVISORY BOARD MEETINGS

During the year under review, the Supervisory Board held six meetings with the Board of Managing Directors according to a fixed schedule. In addition various telephone conferences were held and there were many informal consultations with the Board of Managing Directors. Part of these informal consultations related to the discussions that the Company had with a limited number of investment firms. These discussions were initiated following discussions between the Managing Board and some of the Company's larger shareholders. In its press release of March 20, 2008, the Company confirmed that discussions with investment firms had taken place and that the Managing Board, the Supervisory Board and the larger shareholders had, however, concluded that for reasons primarily related to the state of the financial markets, the continuation of the discussions at that time was without merit, and hence the discussions had been terminated.

Next to the usual topics, such as a general update on Exact's business and organization; the financial reporting process; and the financial results in relation to the budget, forecast and guidance; the Supervisory Board paid specific attention in 2007 to the internal management control and reporting structure. We also discussed and analyzed the proposed new housing for Exact's headquarters in Delft and M&A proposals with the Board of Managing Directors. With regard to the corporate infrastructure and company strategy, plans and roadmaps were presented to us in detail and were agreed upon between the Supervisory Board and Board of Managing Directors.

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.

PERFORMANCE EVALUATION

In a meeting without the presence of the Board of Managing Directors, the Supervisory Board reflected on its profile, composition as well as its functioning and that of its individual members. At the same meeting the performance as well as the composition of the Board of Managing Directors as a whole and of its individual members was reviewed.

INDEPENDENCE

The Supervisory Board confirms that all of its members are independent within the meaning of best practice provision III.2.1 of the Dutch Corporate Governance Code. In order to avoid the possibility of any (potential) conflict of interest due to his position as Chairman of the Advisory Board of LSI Project Investment N.V., Hans de Boer took part in neither the discussion nor the decision making concerning the new corporate housing proposal. As such, the best practice provisions of III.6.1 – III.6.3 of the Dutch Corporate Governance Code, as well as the provisions 10.1 – 10.5 of the Regulations for the Supervisory Board, have been fully adhered to.

The Supervisory Board is very pleased with the way the Board of Managing Directors has been able to develop and successfully implement the strategy it has chosen.

CORPORATE GOVERNANCE

Information about each member of the Supervisory Board as required by the Dutch Corporate Governance Code is presented on page 69 of this annual report, while a special 'Corporate Governance' chapter is presented on page 66. The views of the Board of Managing Directors and the Supervisory Board concerning corporate governance remained unchanged in the past year.

INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS

During consultations with the Board of Managing Directors, the Audit Committee and the external auditor, the structure and operation of the internal risk management and control systems were discussed. The conclusions with regard to this can be found under the "Risk management" section of this report.

REPORT OF THE AUDIT COMMITTEE

MEMBERS OF THE AUDIT COMMITTEE

Rob Bonnier – Chairman
Erik van de Merwe

The Audit Committee's tasks comprise ascertaining that Exact maintains adequate procedures and control systems in order to manage the financial and operational risks to which it is exposed, as well as to oversee the integrity of its financial reporting.

During the year under review, the Audit Committee met four times. All these meetings were attended by the Company's external auditor, Ernst & Young Accountants. Main subjects handled by the Audit Committee were the financial statements for the year 2007, the 2007 interim financial statements, the financial impact of the acquisitions made, risk management, the results of the internal control audits and information & IT security. In addition, the following other topics were reviewed: the financial position of the company, taxes, treasury, the draft annual report 2007, the Ernst & Young management letter 2007, the external audit scope for 2008 and the follow-up of the recommendations of the Audit Committee, the internal audit team and the external auditor.

REPORT OF THE REMUNERATION COMMITTEE

MEMBERS OF THE REMUNERATION COMMITTEE

Hans de Boer – Chairman
Erik van de Merwe

The Supervisory Board of Exact is responsible for the development of the remuneration policy and the remuneration for individual members of the Board of Managing Directors. The Supervisory Board has appointed from its members a Remuneration Committee, which makes recommendations to the Supervisory Board and acts independent from the Board of Managing Directors.

In accordance with the applicable provisions of the Article of Association of Exact, the current Remuneration Policy of Exact was adopted on June 30, 2005 by the General Meeting of Shareholders, as the general policy with regard to the remuneration of the managing directors. The Articles of Association further determine that the Supervisory Board shall set the remuneration of the managing directors, as well as the other terms of their employment, in due observance with the Remuneration Policy as determined by the General Meeting of Shareholders.

During the year under review, the Remuneration Committee met one time and held two additional telephone conferences. In these meetings the final variable remuneration (i.e. the short-term bonus) for 2006 of the managing directors on the basis of the quantitative and qualitative criteria was determined and the remuneration of the Supervisory Board and the managing directors was discussed. Furthermore, the Remuneration Committee advised the Supervisory Board on the quantitative and qualitative criteria for the (variable part of the) remuneration of managing directors for 2007 and discussed the situation for 2008. The Remuneration Committee requested for its advice a peer group analysis, which was performed by Towers Perrin as independent advisor to the Remuneration Committee.

After two years in which the annual fixed remuneration (the base salary) of the managing directors remained the same, the Supervisory Board reviewed in 2007 the remuneration of the managing directors in comparison to several external peers, with the goal to maintain an overall and competitive remuneration package for present and future members of the Board of Managing Directors. In addition, the committee recommended that the Supervisory Board adjust the maximum realizable amount of the annual short-term bonuses for 2007 to 50% of the base salary.

Both recommendations are in line with the Remuneration Policy and have been approved by the Supervisory Board. The quantitative and qualitative criteria for the short-term bonuses remained unchanged – see also Notes to the consolidated statements.

CORPORATE GOVERNANCE CODE

In line with the recommendations of the Monitoring Committee Corporate Governance Code (Committee Frijns), published December 2007, the Remuneration Committee adds the following statements.

1 The total remuneration package for each of the managing directors has a fixed maximum amount that can be paid out.
2 The employment agreements of the managing directors does not provide for a claw back for variable income paid.
3 The variable part of the remuneration for each Managing Director is a percentage of the fixed income within the total remuneration package of each of the managing directors.
4 The actual fixed and variable income amounts of the managing directors are included in the Financial Statements 2007.
5 There are contractual arrangements with each of the managing directors maximizing an indemnity payment in case of an involuntary termination of the employment agreement, and a termination of the employment agreement in case of change of control of Exact.
6 The actual criteria for the variable part of the remuneration of each of the managing directors are ambitious. The criteria are considered as competition sensitive information and are therefore not disclosed by the Supervisory Board.

REPORT OF THE SELECTION AND NOMINATION COMMITTEE

MEMBERS OF THE SELECTION AND NOMINATION COMMITTEE

Erik van de Merwe – Chairman
Hans de Boer
Rob Bonnier

The composition of both the Supervisory Board and the Board of Managing Directors did not change during the year under review. The Selection and Nomination Committee met once to discusses the composition of the Board of Managing Directors.

CONCLUSION

The Financial Statements for the year 2007, 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 2007 Financial Statements and recommends that these be adopted by the Annual General Meeting of Shareholders accordingly.
The Supervisory Board also approved the proposal from the Board of Managing Directors to pay out a final cash dividend of € 0.83 per share, amounting to a total dividend for 2007 of € 1.59 per share and recommends that the Annual General Meeting of Shareholders adopts this dividend proposal.

Again 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 continued efforts during 2007.

Delft, April 4, 2008

Erik van de Merwe
Hans de Boer
Rob Bonnier

7. Financial Statements

7.1 Consolidated IFRS Income Statement For the year ended December 31

(in thousands of euros)	Note	2007	2006
Licenses		**77,399**	71,351
Maintenance		**125,213**	123,780
Services		**49,497**	46,934
Total revenue	*7.22*	**252,109**	242,065
Revenue-related costs		**18,556**	18,847
Employee benefit expenses	*7.23*	**126,827**	122,487
Depreciation, amortization and impairment of assets		**7,244**	6,674
Other operating expenses	*7.26*	**34,915**	34,536
Marketing and sales		**14,775**	13,612
Total operating expenses		**202,317**	196,156
Operating income		**49,792**	45,909
Financial income and expenses			
Interest and other financial income		**4,127**	3,230
Interest and other financial expenses		**(1,486)**	(1,011)
Total financial income	*7.24*	**2,641**	2,219
Income before taxes		**52,433**	48,128
Income tax expense	*7.25*	**13,321**	13,738
Net income after taxes		**39,112**	34,390
Attributable to:			
Equity holders of Exact		**38,211**	34,083
Minority interests		**901**	307
Average number of shares outstanding basic (in thousands)		**24,032**	24,032
Average number of shares outstanding diluted (in thousands)		**24,032**	24,035
Earnings per share (in euros)		**1.59**	1.42
Diluted earnings per share (in euros)		**1.59**	1.42

The notes on page 81 to page 114 are an integral part of these consolidated financial statements.

7.2 Consolidated IFRS Balance Sheet As at December 31

(in thousands of euros)	Note	2007	2006
ASSETS			
Non-current assets			
Intangible fixed assets	*7.8*	**122,683**	73,008
Property, plant and equipment	*7.9*	**17,864**	16,923
Deferred tax assets	*7.10*	**5,225**	5,088
Derivative financial instruments	*7.21*	**826**	406
Total non-current assets		**146,598**	95,425
Current assets			
Inventory		**627**	666
Trade receivables	*7.11*	**53,122**	50,569
Other receivables and prepaid expenses	*7.12*	**5,646**	6,175
Short-term investments	*7.13*	**50,650**	106,472
Cash and cash equivalents	*7.14*	**18,381**	21,341
Total current assets		**128,426**	185,223
Total assets		**275,024**	280,648

The notes on page 81 to page 114 are an integral part of these consolidated financial statements.

(in thousands of euros)	Note	2007	2006
EQUITY AND LIABILITIES			
Share capital	7.15	**488**	488
Capital surplus		**89,802**	89,802
Retained earnings		**41,148**	59,382
Net income		**38,211**	34,083
Cash flow hedge reserve		**(1,876)**	0
Cumulative translation adjustments		**(4,834)**	(1,005)
Shareholders' equity		**162,939**	182,750
Minority interest		**2,704**	1,953
Total equity		**165,643**	184,703
Non-current liabilities			
Earnout provisions and related liabilities	7.17	**13,432**	7,393
Provisions for other liabilities and charges	7.17	**2,626**	3,108
Long-term loans	7.18	**1,382**	3,826
Deferred tax liabilities	7.19	**5,573**	2,288
Derivative financial instruments	7.21	**154**	0
Total non-current liabilities		**23,167**	16,615
Current liabilities			
Deferred revenue	7.20.1	**59,640**	56,162
Accounts payable and other liabilities		**6,178**	6,773
Corporate income tax		**2,915**	200
Other taxes and social securities		**6,694**	5,992
Accrued liabilities		**10,787**	10,203
Total current liabilities		**86,214**	79,330
Total liabilities		**109,381**	95,945
Total equity and liabilities		**275,024**	280,648

The notes on page 81 to page 114 are an integral part of these consolidated financial statements.

7.3 Consolidated Statement of Changes in Equity

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Retained earnings €	Cumulative translation adjustments €	Share-holders' 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 earnout	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 period 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 period	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

* Payout of the retained earnings will be restricted for the negative amount of the cumulative translation adjustments of € 1,005.

The notes on page 81 to page 114 are an integral part of these consolidated financial statements.

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Cash flow hedge reserve €	Retained earnings €	Cumulative translation adjustments €	Share-holders' equity €	Minority interest €	Total equity €
Balance at January 1, 2007	24,400	368	488	89,802	0	93,465	(1,005)	182,750	1,953	184,703
Cash flow hedges	0	0	0	0	(1,876)	0	0	(1,876)	0	(1,876)
Currency translation adjustment	0	0	0	0	0	0	(3,829)	(3,829)	0	(3,829)
Total income and expense for the period recognized directly in equity	0	0	0	0	(1,876)	0	(3,829)	(5,705)	0	(5,705)
Net income	0	0	0	0	0	38,211	0	38,211	901	39,112
Total income and expense for the period	0	0	0	0	(1,876)	38,211	(3,829)	32,506	901	33,407
Dividend relating to 2006	0	0	0	0	0	(34,126)	0	(34,126)	0	(34,126)
Interim dividend 2007	0	0	0	0	0	(18,265)	0	(18,265)	0	(18,265)
Movement minority interest related to acquisitions	0	0	0	0	0	0	0	0	(150)	(150)
Long-term incentive plan	0	0	0	0	0	74	0	74	0	74
Balance at December 31, 2007	24,400	368	488	89,802	(1,876)	79,359*	(4,834)	162,939	2,704	165,643

* Payout of the retained earnings will be restricted for the negative amount of the cumulative translation adjustment of € 4,834 and the cash flow hedge reserve of € 1,876.

The notes on page 81 to page 114 are an integral part of these consolidated financial statements.

7.4 Consolidated Statements of Cash Flows For the year ended December 31

(in thousands of euros)	Note	2007	2006
Net income after taxes		**39,112**	34,390
Amortization, depreciation of property, plant and equipment and impairment losses		**7,244**	6,674
Increase/decrease in non-current liabilities excluding earnouts		**(1,144)**	1,817
Increase/decrease in deferred revenue		**369**	2,126
Increase/decrease in current assets and current liabilities excluding tax		**2,752**	(3,806)
Increase/decrease in taxes payable		**294**	415
Cash flow provided by operations		**48,627**	41,616
Cash flow used in investing activities			
Acquisition of Group companies, net of cash acquired	*7.7*	**(40,944)**	(883)
Capital expenditures on intangible assets		**(2,574)**	0
Capital expenditures on property, plant and equipment		**(5,500)**	(4,149)
Proceeds from disposal of property, plant and equipment		**697**	1,313
Earnout payments	*7.17*	**(1,819)**	(397)
Cash flow used in investing activities		**(50,140)**	(4,116)
Cash flow used in financing activities			
Dividend paid		**(52,391)**	(23,928)
Repayment long-term loan	*7.18*	**(2,351)**	(2,427)
Cash flow used in financing activities		**(54,742)**	(26,355)
Net increase / decrease in cash and cash equivalents		**(56,255)**	11,145
Opening balance cash and cash equivalents		**127,813**	117,585
Exchange rate differences		**(2,527)**	(917)
Closing balance cash and cash equivalents		**69,031**	127,813

The actual income tax paid in 2007 amounts to € 11.9 million (2006: € 10.2 million); the actual interest received in 2007 amounts to € 3.9 million (2006: € 3.2 million); and the actual interest paid in 2007 amounts to € 520 thousand (2006: € 491 thousand).

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

	Note	December 31, 2007	December 31, 2006
Cash and cash equivalents	*7.14*	**18,381**	21,341
Short-term investments	*7.13*	**50,650**	106,472
Total		**69,031**	127,813

The notes on page 81 to page 114 are an integral part of these consolidated financial statements.

7.5 Notes to the consolidated IFRS Financial Statements

General information and summary of significant accounting policies

7.5.1 Corporate Information

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

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

The financial statements 2007 were approved by the Board of Directors and the Supervisory Board on April 4, 2008 and will be submitted for adoption to the Annual General Meeting of Shareholders on April 24, 2008.

7.5.2 Statement of Compliance

The consolidated financial statements included in pages 81 to 114 have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the European Union.

7.5.3 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 level of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated statements, are disclosed in note 7.5.5.

Condensed Income Statement

In accordance with article 2:402 of the Dutch Civil Code, Exact chose to present a condensed company-only income statement for the financial years 2007 and 2006.

7.5.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Exact Holding N.V. and its subsidiaries as at December 31, 2007. 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-company balances, transactions and income and expenses resulting from intra-company 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 on the acquisition date. The excess of the cost of an acquisition over the fair value of Exact's 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 equity. Where losses attributable to the minority in a consolidated subsidiary exceed the minority interest in the subsidiary's 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.

7.5.5 Significant Accounting Judgments and Estimates

Estimation uncertainty

The key assumptions concerning the future, and other key sources of estimating 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 estimate of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires Exact to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2007 was € 90.2 million (2006: € 60.0 million). More details are provided in note 7.8.

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 of the valuation of the deferred tax asset. The carrying amount of deferred tax assets at December 31, 2007 was € 5,225 (2006: € 5,088). More details are provided in note 7.10.

7.5.6 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 rate differences are recognized as a separate component of equity (cumulative translation adjustment).

Exchange rate 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 rate differences are recognized in the income statement as part of the gain or loss on sale.

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

7.5.7 Statement of Cash Flow

The statement of cash flow is prepared by using the indirect method. The cash flow statement distinguishes operational, investment and financing activities. Cash flows in foreign currencies are converted at the average rates during the reporting period. Currency exchange differences are presented separately.
Payments and receipts of corporate taxes as well as financial income (interest) and expenses are included in cash flows from operational activities.
Cash flows resulting from acquisitions/divestitures of financial interests in Group companies and subsidiaries are included in cash flows from investment activities, net of cash acquired. Dividends paid are part of the cash flow from financing activities.

7.5.8 Intangible Fixed Assets

7.5.8.1 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

7.5.8.2 Research and Development

Research and development costs consist of costs attributable to the Exact'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. Costs for research activities are expensed as occurred. Costs of the development of software is recognized as an intangible asset when Exact can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the asset and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset, and the ability to reliably measure the development costs.

Following initial recognition of development costs as intangible assets, the assets are recognized at cost and amortized by using the straight line method based upon the estimated useful lives, which is five years. Where no intangible asset can be recognized, the development costs are expensed as incurred.

7.5.8.3 Other Intangible Fixed Assets

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

— Contract base	6.66 – 20%
— Intellectual property	10%
— Order backlog	100%
— 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 asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

7.5.9 Property, Plant and Equipment

All property, plant and equipment 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

7.5.10 Deferred Tax Assets

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

Deferred tax assets will only be recorded if they are considered to be realizable in the future, which is reassessed at each balance sheet date. 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.

7.5.11 Inventories

The inventory, comprising brochures and other marketing material, material shipped for licenses sold and upgrades (CDs, 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.

7.5.12 *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.

7.5.13 *Other Assets and Liabilities*

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

7.5.14 *Short-term Investments, Cash and Cash Equivalents*

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

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

(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 7.16.

7.5.16 *Earnout Provisions and Related Liabilities and Provisions for other Liabilities and Charges*

Provisions for asset retirement obligations, warranty costs, earnout 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, and (iii) 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 Exact from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

7.5.17 *Deferred Tax Liabilities*

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

Deferred 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.

7.5.18 *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.

7.5.19 *Derivative Financial Instruments*

Exact uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.
Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.
The fair value of forward currency contracts traded in active markets is based on quoted market prices at the balance sheet date.

7.5.20 *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.

7.5.21 *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, and (iii) services related to the configuration and customization of Exact's products.
Exact recognizes revenue from recurring and non-recurring licensing of business software when:
— a non-cancellable license agreement has been signed;
— the software and related documentation have been delivered;
— the fee is fixed and determinable;
— collection of the resulting receivable is deemed probable.

Revenue from perpetual licenses is recognized when products are delivered. Revenue from time-based licenses (generally a one-year period) is deferred and recognized as revenue ratably over the contract period.
Maintenance revenue consists of customer support revenue generated from maintenance contracts that provide the customer with telephone support and 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 recoverable expenses recognized.

Deferred Revenue

Deferred revenue represents the unrecognized portion of time-based license, maintenance and service contracts in accordance with the aforementioned policy. Time-based license fees are deferred and recognized ratably over the related contract period.
The maintenance agreements entitle the user to support and to upgrades and updates of the software. These maintenance contracts are deferred (100%) and recognized over the related contract period, generally twelve months.

7.5.22 *Operating Expenses*

Expenses are recorded in the period in which they were incurred. 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 resellers for sales realized on behalf of Exact.

7.5.23 *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.

7.5.24 *Dividend Distribution*

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

7.5.25 *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 stock options.

7.5.26 *Adoption of New and Revised International Financial Reporting Standards*

Exact has adopted the following new and amended standards and interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of Exact. They did, however, give rise to additional disclosures.

— 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 of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

— IAS 1 'Presentation of Financial Statements – Capital Disclosures' requires additional disclosures with respect to Exact's objectives, policies and processes for managing capital. These new disclosures are presented in note 7.6.

— 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. This change had no impact on the financial position or performance of Exact.

— 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. As Exact has no embedded derivatives requiring separation from the host contract, the interpretation had no impact on the financial position or performance of Exact.

— IFRIC 10 'Interim Financial Reporting and Impairment' prohibits the revival of an impairment loss recognized in a previous interim period with respect to goodwill, an investment in an equity instrument or a financial asset carried at cost. As Exact had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of Exact.

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2007, and have not yet been applied in preparing these consolidated financial statements:

— IFRS 8 'Operating Segments' requires disclosure of information about Exact's operating segments and replaced the requirement to determine primary and secondary reporting segments. Management expects this change to have limited impact on the consolidated statements since the operating segments are similar to the business segments as defined under IAS 14 Segment Reporting. The company will adopt IFRS 8 in the financial statements of the year ending December 31, 2009;
— IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme. Management does not expect this change to have an impact on the consolidated financial statements. This interpretation will be adopted in the financial statements of the year ending December 31, 2008.

7.5.27 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. In 2007 Exact's management and internal reporting structure was changed from strategic groups to regions. Therefore the business segments presented in the annual report 2007 are different than in 2006. The comparative figures for 2006 have been adjusted to the regional 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.

7.6 Financial Risk Management

Exact is exposed to market risk, primarily related to changes in 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 of changing exchange rates on the revenues, results and balance sheet positions ultimately reported in euro. For 2007, 37% of revenues and 42% 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 Exact companies – these also contain results and other financial inter-company relationships.

An important part of Exact's result is realized in US dollars. Although in 2007 Exact generated approximately 23% of its revenues in US dollars, the impact of the US dollars exchange rate fluctuations on EBITDA and net income was limited because of a natural hedge through expenses in US dollars and/or expenses in currencies fluctuating in line with the US dollar. For 2008 a change of € 0.01 in the euro-to-dollar exchange rate has an effect of approximately € 1.0 million on total revenue, € 1.4 million on the intangible fixed assets, € 0.3 million on the trade receivables and € 0.4 million on the deferred revenue balance position.

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

(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. No collateral is made available as security to Exact.

(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.

(d) Interest rate Risk

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

(e) Capital Management

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

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

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. Hedge accounting is applied where possible. If hedge accounting may not be applied, the derivative is recorded at fair value with changes recorded in the profit & loss statement.

7.7 Business Combinations

Acquisitions 2007

Of the acquired business combinations in 2007, the purchase price allocation of Longview Solutions Inc. has still only been determined provisionally. The provisional purchase price allocation can be adjusted within twelve months (at most) of the respective acquisition date as an adjustment to goodwill.

As Solid Data NV/SA and alphaSIGMA Consulting LLC have been integrated into Exact's existing operations during 2007, it is not possible to determine the total revenue and profit contributed by the acquisitions for the year 2007.

Solid Data NV/SA

On January 3, 2007 Exact acquired 100% of the share capital of Solid Data NV/SA, a local Belgian software vendor servicing the Belgian SMB market with its ProAcc product lines. The products of Exact and Solid Data NV/SA are highly complementary, offering great cross-selling opportunities for the combined operations. As Solid Data NV/SA has been integrated into Exact's Belgian operations as of January 3, 2007, it is not possible to determine the contributed revenue and profit for the year 2007.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	4,550
Direct costs relating to acquisition	21
Total purchase price consideration	4,571
Fair value of net assets acquired	(159)
Goodwill	4,730

The goodwill is attributable to the significant synergies expected to be realized after Exact's acquisition of Solid Data NV/SA.

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

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	96	96
Property, plant, and equipment	212	212
Contract base	1,414	0
Trade and other receivables	1,785	1,785
Accounts payable and other liabilities	(3,185)	(3,185)
Deferred tax liability contract base	(481)	0
Net assets	(159)	(1,092)
Purchase consideration settled in cash		4,550
Cash and cash equivalents acquired		96
Cash outflow on acquisition		4,454

alphaSIGMA Consulting LLC

On April 6, 2007 Exact completed the asset purchase transaction of specific assets of alphaSIGMA Consulting LLC, an IT and professional services firm based in Palatine, Illinois, USA. As alphaSIGMA Consulting LLC has been integrated into Exact's North American operations as of April 6, 2007, it is not possible to determine either the contributed revenue and profit as of acquisition date until December 31, 2007 or for the complete year.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	1,140
Direct costs relating to acquisition	35
Total purchase price consideration	1,175
Fair value of net assets acquired	1,095
Goodwill	80

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

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

	Fair value	Acquiree's carrying amount
Property, plant and equipment	52	54
Contract base	1,162	0
Accounts payable and other liabilities	(119)	(119)
Net assets	1,095	(65)
Purchase consideration settled in cash		1,140
Cash and cash equivalents acquired		0
Cash outflow on acquisition		1,140

CSS Solutions

To ensure continued quality support to its customer base, on June 4, 2007 Exact acquired certain specific assets and liabilities of CSS Solutions, and sold these assets to VCD IT Group on June 7, 2007 resulting in a net contribution of approximately € 260. This contribution has been recognized in other operating expenses.

Longview Solutions Inc.

On November 8, 2007 Exact acquired 100% of the share capital of Longview Solutions Inc., a Canadian software company with subsidiaries in the USA and the UK. Longview Solutions Inc. develops, markets, implements and supports software that companies use to drive their performance. Longview's integrated software suite, Khalix™, includes functions such as management reporting and analysis, modeling, budgeting, planning, forecasting, consolidation and tax. Longview also sells LRAL™, which is used to teach, evolve, control and manage organizational knowledge. Longview contributed revenues of € 2,187 and a loss of € 202 to Exact for the period November 8, 2007 to December 31, 2007. If the acquisition had occurred on January 1, 2007, Longview's contributed revenue would have been € 17,882 and the contributed net profit € 1,231.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	34,812
Direct costs relating to acquisition	1,058
Total purchase price consideration	35,870
Fair value of net assets acquired	12,009
Goodwill	23,861

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

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

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	2,312	2,312
Property, plant and equipment	402	402
Purchased software	126	0
Order backlog	557	0
Trademark	383	0
Intellectual property	11,985	979
Contract base	4,161	0
Trade and other receivables	3,407	3,407
Provisions for earnouts	(1,104)	(1,104)
Accounts payable and other liabilities	(8,133)	(8,338)
Deferred tax liabilities	(2,087)	(105)
Net assets	12,009	(2,447)
Purchase consideration settled in cash		34,812
Cash and cash equivalents in subsidiary acquired		2,312
Cash outflow on acquisition		32,500

The amortization costs of the intangible assets recognized in profit and loss for the period from November 8, 2007 to December 31, 2007 amounted to € 346.

Acquisitions 2006

There were no acquisitions in 2006.

7.8 *Intangible Fixed Assets*

The movements in intangible assets are summarized below:

	Goodwill	Contract base	Purchased software	Internally generated software	Intellectual property	Trademark	Order backlog	Total
At January 1, 2006								
Purchase value	65,003	15,412	714	0	0	0	0	81,129
Cumulative amortization	0	(782)	(152)	0	0	0	0	(934)
Book value	65,003	14,630	562	0	0	0	0	80,195
Acquisitions minority interests	736	0	0	0	0	0	0	736
Adjustments provisional purchase price allocations	73	0	0	0	0	0	0	73
Adjustments earnout provisions	(857)	0	0	0	0	0	0	(857)
Amortization	0	(1,565)	(216)	0	0	0	0	(1,781)
Net currency translation adjustment	(4,991)	(370)	3	0	0	0	0	(5,358)
Change in book value	(5,039)	(1,935)	(213)	0	0	0	0	(7,187)
At December 31, 2006								
Purchase value	59,964	15,001	710	0	0	0	0	75,675
Cumulative amortization	0	(2,306)	(361)	0	0	0	0	(2,667)
Book value	59,964	12,695	349	0	0	0	0	73,008
Additions	0	407	355	1,790	0	0	0	2,552
Acquisitions from business combinations	28,567	6,737	126	0	11,985	383	557	48,355
Acquisitions minority interests	102	0	0	0	0	0	0	102
Adjustments earnout provisions	6,676	0	0	0	0	0	0	6,676
Amortization	0	(1,840)	(245)	0	(217)	(6)	(81)	(2,389)
Net currency translation adjustment	(5,130)	(443)	(4)	0	(37)	0	(7)	(5,621)
Changes in book value	30,215	4,861	232	1,790	11,731	377	469	49,675
At December 31, 2007								
Purchase value	90,179	21,613	1,842	1,790	11,947	383	549	128,303
Cumulative amortization	0	(4,057)	(1,261)	0	(216)	(6)	(80)	(5,620)
Book value	90,179	17,556	581	1,790	11,731	377	469	122,683

During 2007 Exact developed a new version of one of its product lines. Development costs of this project were recognized as an intangible asset in line with Exact's accounting policy. The capitalized development costs amounted to € 1,790.

The carrying amount of the intellectual property includes an amount of € 10,588 related to the software suite Khalix™, which Exact acquired via the business combination of Longview Solutions Inc. This intellectual property has been valued at an amount of € 10,767 upon acquisition, with linear amortization over a period of 10 years.

Impairment tests for goodwill

Goodwill is allocated to Exact's cash-generating units (CGUs), which have been identified according to the regional structure. See note 7.22.1 for detailed information about the regions of Exact.

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

	2007	2006
Netherlands	**19,704**	12,813
Americas	**41,074**	45,913
EMEA	**5,286**	616
APAC	**725**	622
Longview	**23,390**	0
Total	**90,179**	59,964

The recoverable amount of a CGU was determined in 2007 and 2006 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 a five-year period are extrapolated by using the estimated growth rates stated below.

	Netherlands[A]	Americas[B]	EMEA[C]	APAC
Gross margin [1]	84.1 – 100%	100%	100%	100%
Growth rate [2]	2.0%	2.0%	2.0%	2.0%
Discount rate [3]	9.75 – 15.30%	9.75%	9.75%	9.75%

[1] Budgeted gross margin

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

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

[A] The goodwill in the region Netherlands is divided mainly over the cash generating units: Kooijman, AllLicense and Easy Access

[B] The goodwill in the region Americas is mainly divided over the cash generating units: Longview, Vanguard and North America

[C] The main cash generating unit in the region EMEA is Belgium

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 post-tax and reflect specific risks relating to the relevant segments. No reasonably possible change of key assumptions will result in an impairment of goodwill.

Because of the provisional character of the purchase price allocation of Longview Solutions Inc., the goodwill related to the Longview acquisition was not tested for impairment.

7.9 *Property, Plant and Equipment*

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

	Buildings and leasehold improvements	Trans-portation	Hardware	Other fixed assets	Total
At January 1, 2006					
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/to 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
Additions	1,096	2,184	2,102	549	5,931
Acquisitions through business combinations	209	130	237	91	667
Disposals	(14)	(494)	(18)	(20)	(546)
Depreciation	(302)	(1,824)	(2,118)	(756)	(5,000)
Net currency translation adjustments	(15)	(10)	(45)	(41)	(111)
Changes in book value	974	(14)	158	(177)	941
At December 31, 2007					
Purchase value	4,844	14,813	17,202	8,784	45,643
Cumulative depreciation	(1,464)	(5,441)	(13,783)	(7,091)	(27,779)
Book value	3,380	9,372	3,419	1,693	17,864

The estimated current market value of the buildings owned by Exact and its subsidiaries, included under buildings and leasehold improvements, is approximately € 2,528 (2006: € 2,529), while the book value of these buildings as per December 31, 2007 was € 2,064 (2006: € 2,123). 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.

The office building of AllLicense Holding B.V., in Woerden, the Netherlands, has been collateralized to secure the related mortgage.

7.10 Deferred Tax Assets

Deferred income tax assets comprise:

	2007	2006
Tax losses carry forward	**4,180**	4,604
Temporary timing differences	**1,045**	484
Total	**5,225**	5,088

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

	2007	2006
At January 1	**5,088**	6,408
Movement through the income statement:		
Tax losses carry forward	**(363)**	(836)
Temporary timing differences	**500**	(484)
At December 31	**5,225**	5,088
Deferred tax assets to be recovered after more than twelve months	**3,641**	3,887
Deferred tax assets to be recovered within twelve months	**1,584**	1,201
Total	**5,225**	5,088

As per December 31, 2007 Exact had estimated tax losses carried forward of € 21 million (2006: € 24 million) among several subsidiaries outside the Netherlands. Management has made a fair assessment as to which part of these losses will likely be offset by taxable profits in the foreseeable future. For this assessment, Exact has taken 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 million (2006: € 7 million), because of inadequate taxable income during the three-year forecast period. These foreign net operating losses will expire in the range of fifteen years and unlimited.

7.11 Trade Receivables

	2007	2006
Trade receivables	**58,765**	55,790
Provision for impairment of receivables	**(5,643)**	(5,221)
Trade receivables – net	**53,122**	50,569

Exact has recognized an expense of € 3,570 (2006: € 3,685) for the impairment of its trade receivables during the year ended December 31, 2007. The expense has been included in 'other operating expenses' in the income statement.

There is no concentration of credit risk with respect to trade receivables, as Exact has a large number of internationally dispersed customers. The trade receivables mature within one year and are non-interesting bearing.

Movements in the provision for impairment of receivables were as follows:

	Individually impaired	Collectively impaired	Total
At January 1, 2006	1,746	3,827	5,573
Charge of the year	613	3,072	3,685
Utilized	(1,332)	(2,705)	(4,037)
At December 31, 2006	1,027	4,194	5,221
Charge of the year	560	3,010	3,570
Utilized	(1,036)	(2,112)	(3,148)
Unused amounts reversed	0	0	0
Discount rate adjustment	0	0	0
At December 31, 2007	551	5,092	5,643

The provision for impairment of trade receivables is not subject to VAT. VAT on uncollectable receivables can be reimbursed.

As at December 31, the ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	‹ 30 days	30 – 90 days	90 – 360 days	› 360 days
2007	53,122	30,698	9,192	2,995	8,830	1,408
2006	50,569	29,890	7,732	2,599	7,121	3,227

7.12 Other Receivables and Prepaid Expenses

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

	2007	2006
Prepaid expenses	**3,148**	3,745
Other receivables	**2,498**	2,430
Total	**5,646**	6,175

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, 2007 the other receivables include a receivable of € 92 (2006: € 323) from Eduard Hagens, former CEO of Exact and shareholder, and € 38 from Arco van Nieuwland, shareholder. These receivables are mainly for the private use of Exact's airplane and are unsecured and non-interest bearing.

In the other receivables as at December 31, 2007 an amount of € 343 (2006: € 766) for government grants is included. These government grants relate to education and training activities and research and development activities by Exact in the Netherlands.

7.13 Short-term Investments

At year-end an amount of € 50,650 (2006: € 106,472) was invested in short-term deposits.

7.14 Cash and Cash Equivalents

No restrictions exist on cash. As at December 31, 2007 Exact held € 18,381 (2006: € 21,341) in bank balances and cash, predominantly euro denominated.

7.15 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 (2006: 24,400,405) ordinary shares outstanding, which are fully paid. 368,061 (2006: 368,061) ordinary shares are held in treasury by Exact, mainly with the purpose of covering equity-based compensation of management. See note 7.16.

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 treasury shares sold in 2007 (2006: 0).

7.16 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 agreement for the Board of Managing Directors 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 further details about these will be provided in this annual report. The Supervisory Board will ensure that the targets are ambitious but also realistic.

As per December 31, 2007 the long-term remuneration is accounted for an amount of € 105.0 (2006: € 31.0) (€ 52.5 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

Exact has no options outstanding as at December 31, 2007 (2006: 0).

7.17 Provisions

	Earnouts and related liabilities	Asset retirement obligation	Other provisions	Total
At January 1, 2007	7,393	374	2,734	10,501
Changes				
Additional provisions	8,355	505	713	9,573
Payment in cash	(1,819)	(45)	(1,295)	(3,159)
Release	(571)	0	(359)	(930)
Interest	215	20	0	235
Reclassification minority interest	17	0	0	17
Net currency translation adjustment	(158)	(9)	(12)	(179)
At December 31, 2007	13,432	845	1,781	16,058

	2007	2006
Analysis of total provision		
Non-current	**7,205**	8,782
Current	**8,853**	1,719
Total	**16,058**	10,501

7.17.1 Provision for Earnouts and Related Liabilities

The provision for earnouts and related liabilities relates to future liabilities from acquisitions by Exact.

The provision can be specified as follows:

	2007	2006
Runservicenet Ltd.	**1,086**	0
AllLicense Holding B.V.	**8,106**	864
Modulair Easy Access B.V.	**3,561**	3,716
Vanguard Solutions Group Inc.	**679**	1,907
Inspired Solutions	**0**	906
Total	**13,432**	7,393

Runservicenet Ltd.

Runservicenet Ltd. was acquired by Longview Solutions Inc. in 2006. Under the terms of the share purchase agreement between Longview Inc. and the former Runservicenet shareholders, the former shareholders are entitled to earn additional contingent consideration of US$ 5,500 predicated on the attainment of certain software sales objectives and on the achievement of certain development and integration milestones over the period 2008 to 2011.

AllLicense Holding B.V.

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

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 (40%) before July 1, 2009 if and when conditions as specified in the stock purchase agreement are met. The price for the remaining shares is mainly based upon the revenue for the year 2008.

Vanguard Solutions 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 was entitled to an additional purchase price installment depending on the revenue performance of Inspired Solutions over the period 2006.

7.17.2 Asset Retirement Obligation
Exact rents buildings for which, in some cases, the obligation exists to restore the building to its original state. This provision is of a long-term nature.

7.17.3 Other Provisions
Other provisions include mainly legal and warranty provisions. These provisions as at December 31, 2007 and 2006 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.

7.18 Long-term Loans

	2007	2006
Bank loan	**679**	3,029
Mortgage	**703**	797
Total long-term liabilities	**1,382**	3,826

Bank loan
The bank loan is related to the acquisitions of Vanguard Solutions Group Inc. and Inspired Solutions and is denominated in US dollars. The outstanding amount at year end 2007 is US$ 1 million and was fully repaid in January 2008. The loan carried an interest of 5.84% (2006: 5.95%) based on one month LIBOR including 60 (2006: 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 € 351 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 € 351 and an interest rate of 5.2% (2006: 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, 2007	December 31, 2006
≤ 6 months	**1,031**	3,428
› 6 months and ≤ 12 months	**0**	0
› 1 year and ≤ 5 years	**351**	398
› 5 years	**0**	0
Total	**1,382**	3,826

Maturity	2007	2006
≤ 1 year	**756**	42
› 1 year and ≤ 2 years	**72**	3,071
› 2 year and ≤ 5 years	**117**	126
› 5 years	**676**	587
Total	**1,621**	3,826

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

	Currency	2007	2006
Bank loans	USD	**5.84%**	5.95%
Mortgage	EUR	**4.1 – 5.2%**	4.1 – 4.5%

7.19 Deferred Tax Liabilities

The deferred income tax at the balance sheet date relates to the following:

	2007	2006
Fair value adjustments on acquisitions	**5,155**	2,288
Difference in amortization period of capitalized R&D	**418**	0
Total	**5,573**	2,288

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

	2007	2006
At January 1	**2,288**	3,058
Acquisition of intangible assets	**2,532**	0
Charged to the income statement	**753**	(770)
At December 31	**5,573**	2,288
Deferred tax liability to be recovered after more than twelve months	**5,102**	1,868
Deferred tax liability to be recovered within twelve months	**471**	420
Total	**5,573**	2,288

7.20 Current Liabilities

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

7.20.1 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 upgrades and updates 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 7.5.21). The nature of deferred revenue is considered to be long-term as the maintenance and service agreements, which typically have a contract period of twelve months, are automatically renewed at the end of the contract period.

Income resulting from maintenance agreements pre-invoiced at the end of 2007 and that renew in the new financial year will be recognized in 2008. Insofar as the customer has paid in advance for agreements that are due for renewal in 2008, the value of the agreement is treated in its entirety as a liability under deferred revenue.

7.21 Financial Instruments and Hedging

Fair values

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

	Carrying amount 2007	Carrying amount 2006	Fair value 2007	Fair value 2006
Financial assets				
Derivative financial instruments	**826**	406	**826**	406
Cash	**69,031**	127,813	**69,031**	127,813
Financial liabilities				
Derivative financial instruments	**154**	0	**154**	0
Fixed rate borrowings	**352**	399	**349**	382
Floating rates borrowings	**351**	398	**375**	392
Bank loan	**679**	3,029	**679**	3,029

The fair value of derivatives is based on quoted market prices at the balance sheet date. The fair value of the fixed and floating borrowings has been calculated by discounting the expected future cash flows at prevailing interest rate.
One cross-currency swap does not qualify for hedge accounting. For this contract, with a positive carrying value of € 826, a net realized gain of € 420 is recognized in the profit and loss account.

No collateral is made available as security to Exact.

Cash flow hedges

At December 31, 2007 Exact held a cross-currency swap contract. This contract is being used to hedge the foreign currency risk for an inter-company debt with a term ending 2012.

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Cross-currency swap				
Fair value	**0**	**154**	0	0

The cash flow hedge liability was assessed to be highly effective and a net unrealized gain of € 279 with a deferred tax liability of € 142 relating to the hedging instruments is included in equity.

Cash flow hedge for acquisition of foreign operations

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

7.22 Segment Reporting

7.22.1 Business Segments

Since 2007, Exact has organized its business into four regions: the Netherlands, the Americas, EMEA and APAC. Longview, which was acquired in the last quarter of 2007, has not been integrated into the regions and is currently managed on a stand-alone basis.

The segment information for the year ended December 31, 2007 is as follows:

	Netherlands	Americas	EMEA	APAC	Longview	Total
Revenue	111,205	65,487	65,262	7,968	2,187	252,109
Operating income	27,947	9,714	11,675	825	(369)	49,792
Net income after taxes	27,685	5,167	5,353	1,109	(202)	39,112
Depreciation	2,800	845	1,188	146	21	5,000
Amortization	1,312	445	237	49	346	2,389
Impairment of property, plant and equipment and intangibles	0	0	0	0	0	0
Impairment of trade receivables	701	606	1,487	822	(46)	3,570
Assets	123,235	63,855	38,508	8,334	35,041	268,973
Liabilities	29,284	19,485	27,368	2,364	4,798	83,299
Investments	13,099	2,350	1,227	552	40,379	57,607

The segment information for the year ended December 31, 2006 is as follows:

	Netherlands	Americas	EMEA	APAC	Longview	Total
Revenue	108,767	67,026	59,409	6,863	0	242,065
Operating income	25,464	10,693	8,735	1,017	0	45,909
Net income after taxes	22,259	5,937	6,471	(277)	0	34,390
Depreciation	2,600	846	1,183	155	0	4,784
Amortization	1,171	376	234	0	0	1,781
Impairment of property, plant and equipment and intangibles	0	0	0	0	0	0
Impairment of trade receivables	983	612	1,727	382	0	3,704
Assets	166,050	67,229	34,935	6,940	0	275,154
Liabilities	32,128	19,950	24,852	2,200	0	79,130
Investments	2,983	768	971	164	0	4,886

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

Reconciliation assets with balance sheet	2007	2006
Total assets in balance sheet as at December 31	**275,024**	280,648
Less:		
Deferred tax assets	**(5,225)**	(5,088)
Derivative financial instrument	**(826)**	(406)
Total assets in segmentation	**268,973**	275,154

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

Reconciliation liabilities with balance sheet	2007	2006
Total current liabilities in balance sheet as at December 31	**86,214**	79,330
Less:		
Corporate income tax	**(2,915)**	(200)
Total assets in segmentation	**83,299**	79,130

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

7.22.2 Geographical Segments

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

	Netherlands	Americas	EMEA	APAC	Longview	2007	2006
Revenues							
The Netherlands	111,205	0	7,045	0	0	**118,250**	112,211
North America	0	55,938	0	0	2,084	**58,022**	59,699
Germany	0	0	14,603	0	0	**14,603**	15,574
Spain	0	0	10,092	0	0	**10,092**	8,641
Other Western European countries	0	0	19,127	0	103	**19,230**	14,295
Eastern Europe	0	0	9,507	0	0	**9,507**	11,959
Latin America	0	9,549	2,184	0	0	**11,733**	10,348
Asia/Pacific, including Middle East	0	0	2,068	7,968	0	**10,036**	8,307
Africa	0	0	636	0	0	**636**	1,031
Total	111,205	65,487	65,262	7,968	2,187	**252,109**	242,065

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

	2007	2006
Total assets		
The Netherlands	**83,504**	65,958
North America	**85,579**	65,693
Germany	**6,155**	3,869
Spain	**8,860**	6,983
Other Western European countries	**59,381**	110,485
Eastern Europe	**5,195**	7,062
Latin America	**8,247**	6,934
Asia/Pacific, including Middle East	**11,557**	7,850
Africa	**495**	320
Total	**268,973**	275,154

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

	2007	2006
Total liabilities		
The Netherlands	**31,521**	37,733
North America	**20,920**	15,868
Germany	**8,341**	6,984
Spain	**3,403**	2,649
Other Western European countries	**8,785**	7,393
Eastern Europe	**3,135**	4,190
Latin America	**3,692**	1,782
Asia/Pacific, including Middle East	**3,157**	2,216
Africa	**345**	315
Total	**83,299**	79,130

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

	2007	2006
Investments		
The Netherlands	**12,363**	3,034
North America	**21,094**	408
Germany	**295**	314
Spain	**256**	328
Other Western European countries	**21,622**	156
Eastern Europe	**87**	79
Latin America	**542**	378
Asia/Pacific, including Middle East	**1,340**	181
Africa	**8**	8
Total	**57,607**	4,886

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

7.23 *Employee Benefits*

Personnel expenses can be specified as follows:

	2007	2006
Salaries and wages	**95,423**	93,407
Social securities	**10,238**	10,518
Pension costs – defined contribution plans	**990**	865
Contribution healthcare	**4,096**	4,335
Outwork	**6,226**	5,165
Other personnel expenses	**9,854**	8,197
Total	**126,827**	122,487

The employee benefits in 2007 are reduced by an amount of € 219 (2006: € 135) as a result of government grants received. In 2007 Exact's average number of employees was 2,609 (2006: 2,644). As at December 31, 2007 Exact employed 2,682 (2006: 2,591) employees (full time equivalent).

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

	2007	2006
Support	**24%**	24%
Services	**17%**	15%
Research and development	**23%**	24%
Sales and marketing	**18%**	19%
Finance and administration	**7%**	8%
Staff	**8%**	6%
General and management	**3%**	4%
Total	**100%**	100%

During the years 2007 and 2006, the estimated personnel expenses for research and development were € 18,526 and € 18,023 respectively. Those amounts represent 15.2% and 14.7% respectively of the total personnel expenses in each of those years. In 2007, € 1,155 (2006: 0) of the personnel expenses for development were recognized as an intangible asset.

Remuneration of members of the Board of Managing Directors

(in euros)	2007	2006
Salaries and other short-term employee benefits	**805,608**	886,634
Termination benefits	**0**	145,444
Long-term bonus	**74,000**	31,000
Total	**879,608**	1,063,078

The remuneration of the members of the Board of Managing Directors is specified as follows for the years ended 2007 and 2006:

(2007, in euros)	Salary	Short-term bonus	Long-term bonus	Total
Raj Patel	304,200	145,808	37,000	487,008
Jim Kent	256,606	98,994	37,000	392,600
Total	560,806	244,802	74,000	879,608

(2006, in euros)	Salary	Short-term bonus	Long-term bonus	Severance	Total
Raj 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 predefined and measurable performance criteria that reflect Exact's short-term strategy. Of the annual variable remuneration 80% is dependent upon financial criteria and 20% on non-financial criteria. The financial criteria relate to revenue growth (achieved both organically and through acquisitions) and net profit of Exact. The financial performance criteria for 2007 are: 70% is related to revenue growth and 30% is related to the net profit.

Based on the actual results, the payout ratio for the bonus was 77%, while the full 20% of the non-financial criteria was ascertained as being achieved. This results in a bonus payout ratio of 97%. This ratio was applied to the calculation of the bonuses of Raj 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 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 further details about these will be provided in this annual report. The Supervisory Board will ensure that the targets are ambitious, but also realistic.

As per December 31, 2007 the long-term remuneration is accounted for an amount of € 105 (€ 52.5 for each Board member). This provision is recorded under the retained earnings.

Payments to members of the Supervisory Board in 2007 totaled € 110 (2006: € 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)	2007	2006
Erik van de Merwe (Chairman)	**45,000**	45,000
Hans de Boer	**35,000**	35,000
Rob Bonnier	**30,000**	30,000
Total	**110,000**	110,000

At the end of 2007, the Board of Managing Directors held no option rights on shares (2006: 0).

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

	2007	2006
Raj Patel	**20,992**	20,992
Total	**20,992**	20,992

7.24 *Financial Income and Expenses*

The financial expenses include an amount of € 462 (2006: € 75) for foreign exchange rate differences.

7.25 *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 carried forward and non-deductible expenses cause the effective tax rate to differ from the weighted average tax rate.

The effective tax rate, based on income before taxes, is 25.4% (2006: 28.5%).

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 %)	2007	2006
Weighted average tax rate	**27.1**	30.4
Non-deductible expenses	**2.6**	0.6
Deferred tax assets and tax losses carry forward	**0.5**	0.0
Adjustments previous years	**(2.0)**	(0.9)
Exempt income	**(3.7)**	(1.9)
Other	**0.9**	0.3
Effective tax rate	**25.4**	28.5

7.26 Other Operating Expenses

The other operating expenses can be specified as follows:

	2007	2006
Travel and accommodation	10,299	9,371
Voice and infrastructure	4,698	4,272
Housing and office	10,540	10,650
Provison for impairment of trade receivables	3,570	3,685
General	5,808	6,558
Total	34,915	34,536

7.27 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.

	2007	2006
Profit attributable to equity holders of Exact	38,211	34,083
Weighted average number of ordinary shares outstanding (thousands)	24,032	24,032
Basic earnings per share (€ per share)	1.59	1.42

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 consist 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 to the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
Profit attributable to equity holders of Exact	38,211	34,083
Weighted average number of ordinary shares outstanding (thousands)	24,032	24,032
Adjustment for share options (thousands)	0	3
Weighted average number of ordinary shares for diluted earnings per share (thousands)	24,032	24,035
Diluted earnings per share (€ per share)	1.59	1.42

The dividends paid in 2007 and 2006 were € 34,126 (€ 1.42 per share) and € 23,928 (€ 1.00 per share) respectively. In respect of 2007 an interim dividend of € 0.76 per share was paid in August. A final dividend of € 0.83 per share, amounting to a total dividend of € 38,211 (€ 1.59 per share), shall be proposed to the Annual General Meeting of Shareholders on April 24, 2008.

7.28 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, 2007, Exact had a total amount of € 2,108 (2006: € 1,139) issued for guarantees. Exact has issued a guarantee of € 113 (2006: € 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, 2007 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 was involved in a legal dispute with one of its former distributors. Exact settled this dispute in 2007, which resulted in an additional expense of € 1.9 million in 2007.

The tax audit by the Dutch tax authorities relating to the corporate income tax returns for the year 2001 – 2005 was finalized during 2007. The outcome of the tax audit was in line with this respective provision as at December 31, 2006.

During 2007 Exact entered into a letter of intent with respect to a new rental contract for its main office in the Netherlands.
The new rental contract will commence on March 1, 2009 and lasts for 15 years. The annual rental costs are estimated to start at € 1.7 million.

7.29 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:

	2007	2006
Not later than one year	**11,179**	7,774
Later than one year and not later than five years	**15,696**	11,091
Later than five years	**4,498**	3,373
Total	**31,373**	22,238

7.30 Related Parties

The following transactions occurred with related parties:

	2007	2006
Sale of services		
Private use of Exact's airplane	**123**	116

During 2006 and 2007, Exact's airplane was made available to the former CEO, Eduard Hagens and Arco van Nieuwland, shareholder, at their own expense. See also note 7.12.

Compensation to members of key management has been included in the employee benefits disclosed in note 7.23.

7.31 Events after the Balance Sheet Date

No events occurred between the end of December 2007 and April 3rd, 2008, the date that the financial statements were authorized for issue.

7.32 *Exact Holding N.V. and its Subsidiaries*

The consolidated financial statements for 2007 include the financial statements of Exact Holding N.V. (Delft, The Netherlands) and the following subsidiaries:

The Netherlands

Exact Group B.V., Delft[1]
- Exact Alliances B.V., Delft[2]
- Exact Corporate Services B.V., Delft
- Exact Educatie B.V., Driebergen-Rijsenburg[3]
- Exact International Development B.V., Delft
- Exact International B.V., Delft[4]
- Exact Maatwerk B.V., Delft
- Exact Nederland B.V., Delft
- Exact Netherlands B.V., Delft[5]
- 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[6]
Exact Software Czech Republic, s.r.o., Prague, Czech Republic
Exact Software Nordic A/S, Copenhagen, Denmark
Exact Software France Sarl., Paris, France
Exact Software Deutschland GmbH, Munich, Germany
Exact Software GmbH, Cologne, Germany
Exact Software Hungary Kft., Budapest, Hungary
Exact Software Ireland Ltd., Dublin, Ireland
Exact Software Italia Srl, Cernusco sul Naviglio, Italia
Exact Software Poland Sp. Z.o.o., Warsaw, Poland
Exact Portugal Informatica, Lda, Braga, Portugal (80%)
Exact Software Romania Srl., Bucharest, Romania[7]
Exact Software Slovakia s.r.o., Bratislava, Slovakia (80%)
Dimoni Software S.A., Valencia, Spain[8]
- Exact Software Spain S.R.L., Madrid, Spain
- Exact Software Basque Country S.L., Derio, Spain

Exact Software Andalucia S.L., Sevilla, 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[9]
Exact Manufacturing Systems (UK) Ltd., Leichester, United Kingdom
Vanguard Solutions Ltd., Warwickshire, United Kingdom[10]
Longview Solutions Ltd, London, United Kingdom[11]
Runservicenet Ltd., London, United Kingdom[12]

Asia

Exact Software (Shanghai) Co. Ltd., Shanghai, China
Exact Software Hong Kong, Ltd., Hong Kong
PT Exact Software Indonesia, Jakarta, Indonesia (75%)[13]
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
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 the Caribbean

Exact Holding North America, Inc., Wilmington, Delaware, United States of America
- Exact Software North America, LLC., Dover, Delaware, United States of America
- Exact Software ERP-NA, LLC., Dover, Delaware, United States of America
- Vanguard Solutions Group, LLC, Dover, Delaware, United States of America
- Exact Software Latin America, Inc., Dover, Delaware, United States of America
- Longview of America, Inc., Conshohocken, Pennsylvania, United States of America

Longview Solutions Inc., Markham, Ontario, Canada
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 Colombia 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[14]
  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, United Arab Emirates (30%)[15]
  Exact Software Kuwait LLC, Kuwait, Kuwait (49%)

Australia

Exact Software Australia (Pty), North Sydney, Australia[16]

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 hold 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 Merged (out of existence) per January 1, 2008, with Exact Software Nederland B.V.

3 Merged (out of existence) per January 1, 2008, with Kooijman software B.V.

4 Merged (out of existence) per January 1, 2008, with Exact EMEA B.V. (see footnote 5)

5 Name change effective per January 1, 2008 into Exact EMEA B.V.

6 4,862 shares of the 4,158,785 shares in the capital of Exact Belgium N.V. are held by Exact International Development B.V.

7 Wholly owned subsidiary of Exact EMEA B.V., Delft, The Netherlands (see footnote 5)

8 Wholly owned subsidiary of Exact Holding N.V., Delft, The Netherlands

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

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

11 Wholly owned subsidiary of Longview Solutions Inc., Markham, Ontario, Canada

12 Wholly owned subsidiary of Longview of America Inc., Conshohocken, Pennsylvania, United States of America

13 25% of the shares are held by Exact EMEA B.V. (see footnote 5)

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

15 Despite owning only 30% stake in Exact Software Middle East, Dubai, Exact fully consolidates this company because it has controlling power over it

16 Wholly owned subsidiary of Exact Holding N.V.

7.33 Dutch GAAP Company-only Balance Sheet As at December 31

(in thousands of euros)	Note	2007	2006
ASSETS			
Non-current assets			
Intangible fixed assets	7.35.2	300	0
Financial fixed assets	7.35.3	215,038	183,782
Property, plant and equipment	7.35.4	19	304
Total non-current assets		215,357	184,086
Current assets			
Corporate income tax		134	416
Other receivables	7.35.5	407	1,574
Cash and cash equivalents	7.35.6	575	518
Total current assets		1,116	2,508
Total assets		216,473	186,594
EQUITY AND LIABILITIES			
Share capital	7.35.7.1	488	488
Capital surplus	7.35.7.2	89,802	89,802
Legal reserve cumulative translation adjustment		(4,834)	(1,005)
Other legal reserves	7.35.7.3	(1,683)	119
Retained earnings		40,955	59,263
Net income		38,211	34,083
Shareholders' equity		162,939	182,750
Non-current liabilities			
Deferred tax liabilities		418	0
Current liabilities			
Accounts payable and other liabilities		810	127
Group companies	7.35.8	51,524	3,065
Other taxes and social security		157	147
Accrued liabilities		625	505
Total current liabilities		53,116	3,844
Total equity and liabilities		216,473	186,594

7.34 *Dutch GAAP Company-only Income Statement* For the year ended December 31

(in thousands of euros)	Note	2007	2006
Income from participations in Group companies after taxes		**36,961**	34,022
Other income after taxes		**1,250**	61
Net income		**38,211**	34,083

7.35 Notes to the Dutch GAAP Company-only Financial Statements

7.35.1 Basis of Preparation

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

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

The 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 113 to page 114.

7.35.2 Intangible Fixed Assets

The intangible fixed assets are related to purchased software.
The changes in intangibles fixed assets are as follows:

	2007	2006
Balance as at January 1	**0**	0
Investments	**300**	0
Amortization	**0**	0
Balance as at December 31	**300**	0

7.35.3 Financial Fixed Assets

The changes in financial fixed assets are as follows:

	2007	2006
Balance as at January 1	**183,782**	154,075
Settlement post-acquisition dispute Cubic	**0**	(331)
Result from participations in Group companies	**36,961**	34,022
Translation result	**(3,829)**	(3,984)
Cash flow hedge result recognized in equity	**(1,876)**	0
Balance as at December 31	**215,038**	183,782

7.35.4 Property, Plant and Equipment

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

	2007	2006
Balance as at January 1		
Purchase value	**455**	337
Cumulative depreciation	**(151)**	(137)
Book value	**304**	200
Net book value inter-company transfers	**(252)**	30
Investments	**20**	172
Depreciation	**(28)**	(56)
Disposals	**(25)**	(42)
Changes in book value	**(285)**	104
Balance as at December 31		
Purchase value	**20**	455
Cumulative depreciation	**(1)**	(151)
Book value as at December 31	**19**	304

7.35.5 Other Receivables

As at December 31, 2007 the other receivables included a receivable of € 92 (2006: € 323) from Eduard Hagens, former CEO of Exact, and € 38 from Arco van Nieuwland, shareholder.

In the other receivables as at December 31, 2007 an amount of € 0 (2006: € 766) for government grants is included.

7.35.6 Cash and Cash Equivalents

As at December 31, 2007 Exact had cash balances of € 575 (2006: € 518). No restrictions exist on cash.

7.35.7 Shareholders' Equity

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Other €	Retained earnings €	Cumulative translation adjustments €	Share-holders' 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	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 31, 2006	24,400	368	488	89,802	119	93,346*	(1,005)	182,750

* Payout of the retained earnings will be restricted for the negative amount of the cumulative translation adjustments of € 1,005.

(in thousands)	Common shares	Treasury shares	Share capital €	Capital surplus €	Cash flow hedge reserve €	Other €	Retained earnings €	Cumulative translation adjustments €	Share-holder's equity €
Balance at January 1, 2007	24,400	368	488	89,802		119	93,346	(1,005)	182,750
Cash flow hedges	0	0	0	0	(1,876)	0	0	0	(1,876)
Currency translation adjustment	0	0	0	0	0	0	0	(3,829)	(3,829)
Total income and expense for the year recognized directly in equity	0	0	0	0	(1,876)	0	0	(3,829)	(5,705)
Net result	0	0	0	0	0	0	38,211	0	38,211
Total income and expense for the year	0	0	0	0	(1,876)	0	38,211	(3,829)	32,506
Dividend relating to 2006	0	0	0	0	0	0	(34,126)	0	(34,126)
Interim dividend 2007	0	0	0	0	0	0	(18,265)	0	(18,265)
Long term incentive plan	0	0	0	0	0	74	0	0	74
Balance at December 31, 2007	24,400	368	488	89,802	(1,876)	193	79,166*	(4,834)	162,939

* Payout of the retained earnings will be restricted for the negative amount of the cumulative translation adjustment of € 4,834 and for the negative amount of the cash flow hedge reserve of € 1,876.

7.35.7.1 Share Capital

The authorized share capital of Exact amounts to € 1.5 million, consisting of 75 million ordinary shares, each with a nominal value of € 0.02 per share. Currently there are 24,400,405 (2006: 24,400,405) ordinary shares outstanding, which are fully paid and non-assessable. Exact holds 368,061 ordinary shares in treasury, mainly with the purpose of covering equity-based compensation of management (2006: 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 any treasury shares sold in 2007 (2006: 0).

7.35.7.2 Capital Surplus

There were no movements in 2007 and 2006.

7.35.7.3 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 (2006: € 88) and the share-based payment for the Board of Managing Directors for the long-term bonus of € 105 (2006: € 31) and the cash flow hedges.

7.35.7.4 Share-based Payments

See note 7.16 of the consolidated financial statements for the disclosure of the share-based payments.

7.35.8 Group Companies

Payables mature within one year.

7.35.9 Employee Benefits

See note 7.23 of the consolidated financial statements for the disclosure of the remuneration of Board of Managing Directors.

7.35.10 Earnings per Share

See note 7.27 of the consolidated financial statements for the disclosure of the earnings per share.

7.35.11 Employees

In 2007 Exact's average number of employees was 29 (2006: 24). Costs related to the employees have been charged to Group companies.

7.35.12 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, 2007, Exact had a total amount of € 584 (2006: € 584) issued for guarantees. Exact has issued a guarantee of € 113 (2006: € 113) for a 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 and is therefore liable for all liabilities regarding this fiscal unity. An audit of the corporate income tax returns for the years 2001 – 2005 was completed in 2007. The outcome of the tax audit was in line with the respective provision as at December 31, 2006.

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

7.35.13 Commitments

The future aggregate minimum contract payments are as follows:

	2007	2006
Not later than one year	**0**	48
Later than one year and not later than five years	**0**	0
Later than five years	**0**	0
Total	**0**	48

Delft, April 4, 2008

Board of Managing Directors
Raj Patel
Jim Kent

Supervisory Board
Erik van de Merwe
Hans de Boer
Rob Bonnier

8. Appendix to the Financial Statements

8 Appendix to the Financial Statements

8.1 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 2007 of Exact Holding N.V., Delft, the Netherlands as set out on pages 75 to 120. 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, 2007, 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, 2007, 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, 2007, 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, 2007, 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, April 4, 2008

for Ernst & Young Accountants
/s/ H. Hollander

8.2 *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 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 that show that the distribution is permitted.
4. The Board of Managing Directors may resolve to distribute one or more interim dividends and/or other interim distributions, provided that the requirement laid down in paragraph 2 has been met as shown in an interim statement of assets and liabilities as referred to in Article 2:105(4) of the 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.

8.3 Proposed Dividend to Shareholders

Profit Appropriation 2006

The General Shareholders' Meeting agreed with the proposed dividend distribution of € 1.42 per share for the year 2006, the remaining profit has been added to retained earnings:

(in thousands of euros)	
Addition to retained earnings	(34)
Available for dividend in cash (€ 1.42 per share)	34,126
Total	34,083

Proposed Profit Appropriation 2007

It will be proposed to the General Shareholders' Meeting that the profit for 2007 will be appropriated as follows:

(in thousands of euros)	
Addition to retained earnings	0
Interim dividend paid in August 2007	18,265
Available for final dividend in cash (€ 0.83 per share)	19,946
Total	38,211

8.4 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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