

PRESS RELEASE

Delft, 5 November 2014

Exact to accelerate strategy

Results third quarter 2014

Financial and strategic highlights

- Total revenues (excluding Longview and Lohn), up 5.7% to € 46.2 million in Q3; on an operational basis¹ up 5.6%
- Total revenues Q3-ytd up 3.2% to € 137.2 million, up 4.3% on operational basis
- EBITDA up 8.0% to € 9.8 million in Q3; EBITDA Q3-ytd down 4.8% to € 30.7 million
- Higher year-to-date operating expenses reflect the build-up of the cloud organization and product development during 2013
- Recommended offer of € 32 per share by funds advised by Apax

Cloud Solutions

- Cloud Solutions revenues up 46.9% to € 7.8 million in Q3 driven by strong performance in Benelux
- Annualized recurring revenues up 44.4% to € 31.0 million at the end of Q3
- 171,222 paying companies at September 30 an increase of 6,752 in Q3
- International rollout in UK and Germany on track, US improving but still challenging

Business Solutions

- Business Solutions revenues down 3.0% to € 26.4 million in Q3; on an operational basis down 3.2%
- License revenues down 4.8% to € 3.8 million in Q3; on an operational basis down 5.1%
- Subscription-based revenue amounted to € 0.2 million in Q3
- Attrition in Business Solutions amounted to 8.5% in Q3-ytd

Specialized Solutions

- Specialized Solutions (excluding Longview and Lohn) revenues up 7.3% to € 12.0 million in Q3; on an operational basis up 7.4%
- Divestiture Lohn completed for € 16.3 million in cash; net book gain of € 14.7 million in Q3

Erik van der Meijden, CEO: “Third quarter revenue growth of almost 6% is driven by continued sharp growth in Cloud Solutions and marked growth of Specialized Solutions, which is partly offset by lower revenues from Business Solutions. EBITDA rose by 8% in the same period reflecting revenue growth as well as 5% higher operating cost. Cloud Solutions’ performance in the Benelux remains robust and its international expansion is on track with increasing sales momentum in the UK and Germany.”

Exact. Focus on what's next.

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

Accounting for discontinued operations

The key financials below exclude the revenues and OPEX for Longview and Lohn. The financial results for Longview and Lohn will be presented as discontinued operations in a single line item net of tax in the Financial Statements for the full year.

Financial Highlights Group

Amounts in € '000	Q3 2014	Q3 2013	%	% operat'l	Q3 YTD 2014	Q3 YTD 2013	%	% operat'l
Cloud Solutions	7,807	5,316	46.9	46.9	21,739	14,850	46.4	46.4
Business Solutions	26,352	27,166	(3.0)	(3.2)	80,926	84,022	(3.7)	(3.3)
Specialized Solutions	12,027	11,212	7.3	7.4	34,547	34,056	1.4	4.7
Total revenue	46,186	43,694	5.7	5.6	137,212	132,928	3.2	4.3
OPEX excluding D&A	36,365	34,604	5.1	4.8	106,492	100,655	5.8	7.0
EBITDA	9,821	9,090	8.0	8.7	30,720	32,273	(4.8)	(4.1)
<i>EBITDA margin</i>	21.3%	20.8%			22.4%	24.3%		

Revenues

Total revenue for the third quarter amounted to € 46.2 million, up 5.7% (operational 5.6%) compared to Q3 last year. Total revenue for Q3-ytd amounted to € 137.2 million, up 3.2% (operational 4.3%) compared to the same period last year.

Cloud Solutions

Cloud Solutions continued to report sharp revenue growth. In Q3, online revenue increased by 43.4% compared to Q3 last year to an amount of € 7.6 million. Online revenue in Q3-ytd amounted to € 21.1 million, an increase of 44.0%.

Total revenue, including services revenue increased by 46.9% to € 7.8 million in Q3. Total revenue increased 46.4% to € 21.7 million Q3-ytd. Annualized recurring revenue from Exact Online amounted to € 31.0 million at the end of the third quarter.

During the third quarter of 2014 the number of paying companies increased 6,752 to 171,222. The increase is particularly driven by strong sales in the Netherlands and Belgium.

Business Solutions

Total revenue for Business Solutions amounted to € 26.4 million in the third quarter, a decline of 3.0% (operational 3.2%) compared to Q3 last year. Total revenue for Q3-ytd amounted to € 80.9 million, a decline of 3.7% (operational 3.3%) compared to the same period last year. The decline is driven by lower revenue in license and maintenance, partly offset by higher services and subscription-based revenue.

License revenues amounted to € 3.8 million in the third quarter, a decline of 4.8% (operational 5.1%) compared to Q3 in 2013. License revenue for the first nine months amounted to € 12.3 million, a decline of 6.6% (operational 6.1%) compared to the same period last year.

Business Solutions made further progress in scaling up its target market to larger companies. The new logo sales team recorded total sales of € 0.6 million (up 19.7%) and an average deal size of € 39 thousand (up >65%) in the first nine months.

Maintenance & support revenue in the third quarter amounted to € 19.8 million, a decline of 3.6% (operational 3.7%) compared to Q3 last year. Maintenance & support revenue for the first nine months amounted to € 59.5 million, a decline of 4.4% (operational 4.1%) compared to the same period last year. The decrease is driven by lower license sales, migration to Exact Online, discontinuation of DOS-based products as well as regular attrition. Attrition amounted to 8.5% in the first nine months compared to 8.1% reported the same period last year. The increase reflects a base change which, effective 2014 no longer includes revenue from products that have been declared end-of-life. The total value of contract cancelations amounted to € 5.1 million in the first nine months and equal to the level last year.

Services revenue in the third quarter increased to € 2.5 million, an increase of 0.9% (operational 0.5%) compared to Q3 in 2013. Services revenue for the first nine months amounted to € 8.6 million, an increase of 2.3% (operational 3.2%) compared to the same period last year.

Business Solutions experienced a substantial increase in subscription based sales. In the third quarter subscription based revenues doubled to € 0.2 million. Subscription based sales amounted to € 0.1 million in the first nine months, representing a license equivalent of € 0.6 million (or 5% of license revenues in the first nine months).

Specialized Solutions

Total revenues for Specialized Solutions (excluding Longview and Lohn) increased 7.3% (operational 7.4%) to € 12.0 million in the third quarter of 2014. Total revenue for the first nine months amounted to € 34.5 million, an increase of 1.4% (operational 4.7%) compared to the same period last year. The recent weakness of the Euro against the dollar is supporting the reported revenue from the US units.

On 15 September 2014, Exact announced the completion of the divestiture of Lohn for an amount of € 16.3 million in cash.

Operating expenses

Operating expenses (excluding depreciation and amortization) amounted to € 36.4 million, an increase of 5.1% (operational 4.8%) compared to Q3 last year. Operating expenses for the first nine months amounted to € 106.5 million, an increase of 5.8% (operational 7.0%) compared to the same period last year. The increase primarily reflects the development and international expansion of our Cloud organization during 2013, which resulted in a steadily increase in the level of expenses. Quarterly increase in expenses in Q4 is projected to be smaller thereby enabling us to meet our EBITDA guidance.

Research and development expenses amounted to € 17.0 million in the first nine months, representing 12.4% of reported revenues, compared to 12.8% in the same period last year. The decline in R&D expenses as percentage of revenues reflects delays experienced in the recruitment for Cloud Solutions. Capitalization of R&D expenses amounted to € 4.9 million, an increase of € 0.2 million compared to the first nine months last year.

Earnings before interest, tax, depreciation and amortization (EBITDA)

EBITDA in Q3 amounted to € 9.8 million, an increase of 8.0% (operational 8.7%) compared to Q3 last year. For the first nine months EBITDA amounted to € 30.7 million, a decline of 4.8% (operational 4.1%) compared to the same period last year. The EBITDA increase in Q3 partly offsets the decline recorded in the first half this year, which is in line with management expectations. The EBITDA margin was 22.4% in the first nine months.

Outlook

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

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

Subsequent developments

On October 9, 2014 Exact Holding N.V. announced that Exact and Eiger Acquisition B.V. (a wholly owned subsidiary of certain funds advised by Apax Partners) have reached conditional agreement on a recommended full public offer for all of Exact's issued and outstanding shares of EUR 32.00 (cum dividend) in cash per share.

For further information on the intended offer we refer to the press release issued on October 9, 2014.

Additional segment information

Cloud Solutions

Cloud Solutions

Amounts in € '000	Q3 2014	Q3 2013	%	% operat'l	Q3 YTD 2014	Q3 YTD 2013	%	% operat'l
Online	7,553	5,267	43.4	43.4	21,106	14,660	44.0	44.0
Service	254	49	418.4	418.4	633	190	233.2	233.2
Total revenue	7,807	5,316	46.9	46.9	21,739	14,850	46.4	46.4
OPEX	10,050	8,528	17.8	17.1	30,646	23,261	31.7	32.0
EBITDA	(2,243)	(3,212)	-	-	(8,907)	(8,411)	-	-
<i>EBITDA margin</i>	<i>(28.7%)</i>	<i>(60.4%)</i>	-	-	<i>(41.0%)</i>	<i>(56.6%)</i>	-	-

Amounts in € '000	Revenue Q3 2014	Revenue growth	Number of paying companies	Annualized Recurring Revenues
Netherlands	7,027	45.0%	151,691	27,947
Belgium	681	45.2%	18,621	2,665
UK	57	-	518	157
Germany	20	-	344	78
Americas	22	-	48	109
Total	7,807	46.9%	171,222	30,956

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Business Solutions

Business Solutions

Amounts in € '000	Q3 2014	Q3 2013	%	% operat'l	Q3 YTD 2014	Q3 YTD 2014	%	% operat'l
License	3,847	4,041	(4.8)	(5.1)	12,273	13,139	(6.6)	(6.1)
Maintenance	19,763	20,503	(3.6)	(3.7)	59,509	62,258	(4.4)	(4.1)
Service	2,545	2,523	0.9	0.5	8,609	8,418	2.3	3.2
Subscription based revenue	197	99	99.0	99.0	535	207	158.5	158.5
Total revenue	26,352	27,166	(3.0)	(3.2)	80,926	84,022	(3.7)	(3.3)
OPEX	14,356	15,539	(7.6)	(7.8)	44,230	46,142	(4.1)	(3.5)
EBITDA	11,996	11,627	3.2	3.1	36,696	37,880	(3.1)	(3.0)
<i>EBITDA margin</i>	<i>45.5%</i>	<i>42.8%</i>	-		<i>45.3%</i>	<i>45.1%</i>	-	

Specialized Solutions

Specialized Solutions

Amounts in € '000	Q3 2014	Q3 2013	%	% operat'l	Q3 YTD 2014	Q3 YTD 2014	%	% operat'l
License	2,559	2,177	17.5	17.1	7,244	6,617	9.5	12.9
Maintenance	6,715	6,573	2.2	2.4	19,518	19,867	(1.8)	1.3
Service	2,749	2,462	11.7	11.9	7,780	7,572	2.7	6.2
Subscription based revenue	4	-	-	-	5	-	-	-
Total revenue	12,027	11,212	7.3	7.4	34,547	34,056	1.4	4.7
OPEX	8,175	8,263	(1.1)	(1.0)	22,872	24,517	(6.7)	(4.3)
EBITDA	3,852	2,949	30.6	30.8	11,675	9,539	22.4	28.2
<i>EBITDA margin</i>	<i>32.0%</i>	<i>26.3%</i>	-	-	<i>33.8%</i>	<i>28.0%</i>	-	-

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About Exact

Vigorous business software. That's what Exact builds. For more than 200,000 businesses around the world. For entrepreneurial Doers who dare and, if they fall, always get up again. Exact breathes that same spirit. Thirty years ago a garage start-up by six students, now a global company, employing 1,550 people in 15 countries with revenues of € 213 million in 2013.

With Exact, businesses can quickly respond to shifting market conditions and grasp opportunities with both hands when they arise. Our business software enables customers to focus on their next goal, and look ahead to the next challenge.

For further information about Exact, visit www.exact.com or contact:

Media Relations

Exact Holding N.V.

Jelle Zuidema

T: +31 (0)15 711 5462

M: +31 (0)6 4179 4588

E: jelle.zuidema@exact.com

Investor relations

Michel Hülbers

T: +31 (0)15 711 5208

M: +31 (0)6 5586 2237

E: ir@exact.com

Exact Holding N.V.

P.O. Box 5066

2600 GB Delft

The Netherlands

Tel: +31 (0)15 711 5000

Fax: +31 (0)15711 5010

www.exact.com

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Unforeseen factors that could influence the statements and expectations may for instance be changes in expenditure by companies in the markets we operate in; economic, political and foreign exchange fluctuations; possible statutory changes; changes in salary levels of employees; future take over and divestitures.

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