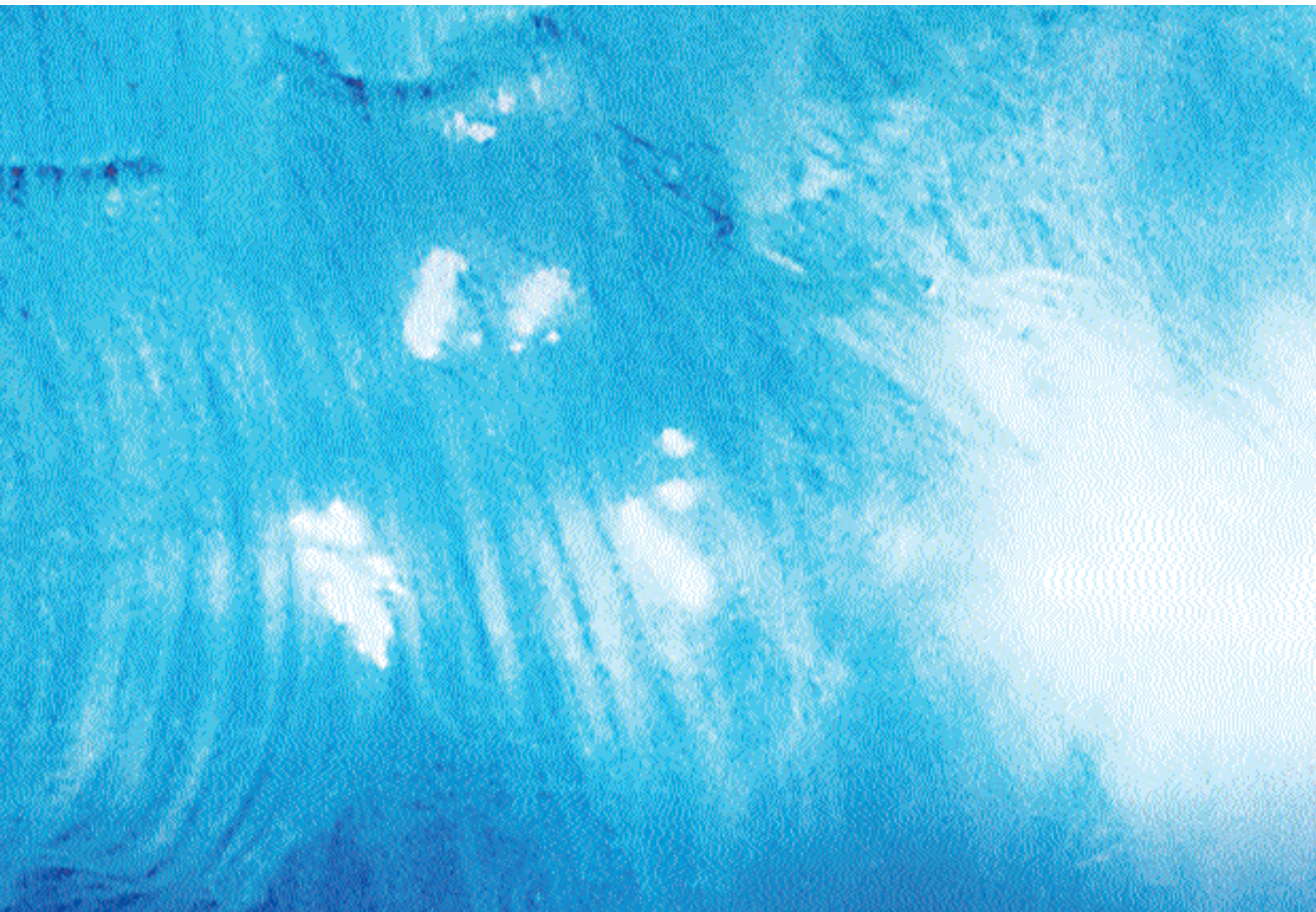




2004

Annual Report 2004

UNIT4AGRESSO



Company profile

Unit 4 Agresso is a leading international producer of business software for service providing companies and organisations, and is a supplier of security software. With branches in twelve European countries, the United States and Canada and sales activities in various other countries, a turnover of € 276 million was achieved in 2004. The head office is situated in Sliedrecht, the Netherlands. At the end of 2004 Unit 4 Agresso had 1,805 employees.

Vision and strategic key points

Unit 4 Agresso is committed to being a reliable, sound and internationally operating IT organisation. Specialised know-how and effective product market combinations make the software and services into sustainable standard solutions at relatively low costs. By means of specialisation and standardisation, economy of scale, geographical expansion, growth in strategic regions, complete client support and professionalism of the employees, Unit 4 Agresso creates added value for the clients and shareholders.

Market positions

The activities for business software and security software are split into two divisions: Business Software and Internet & Security. In business software, internationally leading market positions are taken up in the public sector and the provision of professional and business services. In the Benelux Unit 4 Agresso is also prominent in the wholesale and distribution market, and in the market for accountancy firms. Unit 4 Agresso is one of the largest suppliers in the security software market in Europe.

Business Software

The Business Software division develops, sells, implements and supports business software for the management, support and optimisation of business processes and for the optimisation of the operational management.

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Unit 4 Agresso supplies business software to companies and organisations in which provision of services, projects, and many different sorts of client relationship are of primary importance. Unit 4 Agresso directs itself in particular at (multinational) medium-sized and large companies and organisations.

The software application Agresso Business World has achieved strong international market positions due to specialisation, quality and a low total cost of ownership. The cost reducing competitive advantages are:

- specialisation per business sector, which for a large part makes customisation unnecessary;
- high degree of flexibility, which ensures quick adjustments in cases of changes within the organisation and direct management of change processes;
- short implementation time, which makes Agresso Business World quickly available;
- comprehensive and flexible reporting facilities.

Unit 4 Agresso also develops and supplies a wide range of specific software applications for different sectors, such as wholesale and distribution, the travel industry, health care and accountancy firms, and a wide range of functionalities, such as personnel information and salary systems, bookkeeping and project management. All applications have extensive facilities for reporting and management information.

Internet & Security

The Internet & Security division sells third party security solutions and provides services for the implementation and maintenance of the data security. Unit 4 Agresso offers specialised know-how and customised solutions for the complete security process: from risk analysis and setting up a security policy to the implementation, optimisation and maintenance of the security.

The internet activities are directed at the investigation, implementation and optimisation of internet applications, such as building and hosting of (e-commerce) websites and integration of internet communication in the daily operational management. Besides that new internet technologies are investigated for their effectiveness and concepts are thought out to gain even more efficiency from internet communication.

Stock exchange quotation and market capitalisation

Unit 4 Agresso shares have been quoted on the Euronext Amsterdam since 1998 and from March 2005 onwards will form a part of the Amsterdam Small Cap Index (AscX). At the end of 2004 the market capitalisation was valued at around € 300 million.

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Notice to the reader

The underlying Annual Report of Unit 4 Agresso N.V. is an unofficial translation of the Dutch version (Jaarverslag Unit 4 Agresso 2004). We have audited the official Dutch version of the Annual Report of Unit 4 Agresso N.V. for the year 2004.

Ernst & Young Accountants

Key figures

(amounts in € x 1 million)	2004	2003*	2003	2002	2001	2000**
Turnover						
Business Software	156.8	136.9	136.9	136.1	138.9	74.3
Internet & Security	119.2	82.2	82.2	78.9	69.3	47.1
Total	276.0	219.1	219.1	215.0	208.2	121.4
Turnover growth in % compared to prior year	26%	2%	2%	3%	72%	71%
Gross profit						
Business Software	142.6	124.6	124.6	119.9	123.3	63.3
Internet & Security	30.2	20.8	20.8	20.9	21.4	19.4
Total	172.8	145.4	145.4	140.8	144.7	82.7
% Gross profit Business Software	90.9%	91.0%	91.0%	88.1%	88.8%	85.3%
% Gross profit Internet & Security	25.3%	25.3%	25.3%	26.5%	30.9%	41.1%
% Gross profit total	62.6%	66.4%	66.4%	65.5%	69.5%	68.1%
Operating result before depreciation and amortisation (EBITDA)						
Business Software	30.3	23.0	23.0	17.8	19.0	10.5
Internet & Security	4.2	5.2	5.2	4.2	7.4	12.0
Total	34.5	28.2	28.2	22.0	26.4	22.5
% EBITDA Business Software	19.3%	16.8%	16.8%	13.1%	13.7%	14.1%
% EBITDA Internet & Security	3.5%	6.3%	6.3%	5.3%	10.7%	25.4%
% EBITDA total	12.5%	12.9%	12.9%	10.2%	12.7%	18.5%
Net profit before goodwill amortisation						
Net profit before goodwill/turnover	20.0	16.7	16.7	15.0	14.7	15.0
	7.2%	7.6%	7.6%	7.0%	7.1%	12.4%
Cash flow	25.7	22.3	22.3	19.7	18.9	17.4
Employees/activity ratios						
Average no. of employees Business Software	1,398	1,222	1,222	1,182	1,213	768
Average no. of employees Internet & Security	279	188	188	171	178	98
Average no. of employees total	1,677	1,410	1,410	1,353	1,391	866
Turnover per employee Business Software***	112	112	112	115	114	97
Turnover per employee Internet & Security***	472	437	437	461	390	481
Turnover per employee total***	165	155	155	159	150	140
Financial/liquidity ratios						
Group equity	87.9	74.0	74.0	62.2	49.2	22.8
% Group equity in total assets	42.0%	48.6%	50.2%	45.3%	38.4%	24.3%
Quick ratio	101.3	129.0	135.9	127.0	123.5	133.5
Financial figures per share						
Average no. of issued shares	25,573,107	25,291,905	25,291,905	24,626,348	24,006,096	17,232,688
Earnings per share before goodwill based on average no. of shares in €	0.78	0.66	0.66	0.61	0.61	0.87

* After amendments to the presentation of the fiscal position.

** These key figures set out the consolidated position of Unit 4 Agresso as of 31 December 2000. Only the last two months of Agresso have been included in the consolidation.

*** in € x 1,000.

Vision, objectives and strategy

Vision

Unit 4 Agresso is committed to being a reliable, sound and internationally operating IT organisation. Specialised know-how and effective product market combinations make the software and services into sustainable standard solutions at relatively low costs.

Commercial objectives

On the basis of the defined vision, Unit 4 Agresso wants to be the preferred automation partner of its clients. For 25 years already, Unit 4 Agresso has stood for specialisation, innovation and reliability. Driven by a healthy but strong ambition, Unit 4 Agresso strives to achieve the following objectives:

- to provide the best products and services imaginable;
- to provide quick and effective implementation by means of standardisation of products;
- to achieve a strong market share (top 3 position) in the markets in which it operates;
- to maintain a position from which it can offer clients the lowest total cost of ownership by means of specialisation;
- to offer products which, due to their many analysis and reporting possibilities, make the business processes and results of the clients completely transparent;
- to stay close to the clients by means of field employees, branches, distributors and/or dealers.

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Strategy

Key points in the strategy of Unit 4 Agresso are: economy of scale, geographical expansion, growth in strategic regions, specialisation and standardisation, complete client support and professionalism of the employees. The activities for business software and security software are split into two divisions: Business Software and Internet & Security. Each division places its own emphasis when executing the strategy.

Economy of scale

In **Business Software**, Unit 4 Agresso can, by means of economy of scale, bring the profitability onto a structurally higher level. Regardless of the profit levels, Unit 4 Agresso spends a relatively constant amount on Research & Development. At the moment this is around 15% of the turnover of the Business Software division. Increase in the number of clients, by means of organic growth, strategic alliances, distributors or acquisitions, has for that reason a strong positive effect upon the fixed R&D costs per client and the profitability of the business.

A strategic alliance is often entered into with a view to a future acquisition. The cooperation acts as a test period for both parties. The objectives for an alliance or acquisition could be:

- increase in the number of potential clients by conversion to Unit 4 Agresso products. This is a good option for companies with a large client portfolio but out-of-date products;
- obtain access to certain niche markets, for example those of local governments in a country;
- expansion of functionalities, for example in the areas of CRM, salary administration or Human Resources;
- expansion of the services package.

In connection with the return requirements and risk management, a number of basic principles and conditions have been formulated for acquisitions. Reference is made in this respect to 'Risks and risk management' on page 36.

By increasing the number of clients the annual maintenance turnover will also increase and supplementary services can be provided.

Economy of scale is also a critical success factor for the **Internet & Security** division. Suppliers are attempting to achieve economy of scale by means of consolidation. Suppliers strive for limitation of the number of selected distributors and/or partners. As a customer, Unit 4 Agresso must ensure that it is an attractive partner that offers its suppliers added value by means of expert client support and a large international client portfolio. This leads to good contract conditions, opportunities for growth in the range of services offered and is essential for the improvement of margins in the short and long term. Unit 4 Agresso is now amongst the largest suppliers in Europe as far as distribution of products and provision of services for IT security are concerned.

The distribution model for security products and services contributes towards the optimisation of the sales volume. Via its distribution organisation NOXS (Number One for eXcellence in Security), Unit 4 Agresso supplies to resellers such as system-independent service providers and dealers. NOXS offers its clients added value by means of specialist security know-how, particularly extensive product knowledge. Under the brand name 4Sure.IT, Unit 4 Agresso provides on-line security management.

In line with the business model of the Business Software division, Unit 4 Agresso supplies complete solutions and services to end-users under the name of Unit 4 Agresso Security Solutions.

Geographical expansion and growth in strategic regions

In **Business Software**, a large part of the turnover is realised in the Benelux countries, the United Kingdom, and Scandinavia. In **Internet & Security**, the core of the turnover lies in the Benelux countries and France. In both divisions, the geographical expansion is important for improvement of the risk spread and the opportunities for multinational supply of products and services. In Internet & Security Unit 4 Agresso achieves geographical expansion to an increasing extent via cross-border on-line security management. In addition, growth in the

strategic regions where economies of scale are still limited, leads to an improvement in the cost base and therefore to a better return.

Specialisation and standardisation

The competitive position of Unit 4 Agresso as medium-sized international player in **Business Software** is dependent upon the ability to bring distinguishing products onto the market. The financial means are more limited than with the larger players. In order to utilise the R&D capacity efficiently, Unit 4 Agresso concentrates on technological standard concepts for a number of specific vertical markets. In these concepts, specialisation, reliability, transparency, flexibility and a low total cost of ownership are the most important elements.

By means of specialisation, Unit 4 Agresso can profile itself with in-depth knowledge of specific markets and sectors. That knowledge leads to a standardised range of products and service provision which are well tailored to the requirements of the client and which make his business processes and results fully transparent. In addition to technical implementation, Unit 4 Agresso offers support which leads to the optimisation of the operational management and improvement of the business processes.

Due to specialisation per vertical market, the standard applications of Unit 4 Agresso are quick to implement and relatively simple to maintain. This results in a low total cost of ownership, whereby Unit 4 Agresso distinguishes itself from its competitors.

By means of specialisation Unit 4 Agresso can purposefully select growth markets for product development and marketing.

In **Internet & Security**, Unit 4 Agresso profiles itself as security specialist by means of in-depth knowledge of a selective product portfolio and of relevant technological developments. In addition, Unit 4 Agresso offers its clients added value by means of support and on-line security management. In this way bridges are built between suppliers and reseller and between resellers and end-users. The primary focus on knowledge, service and quality distinguishes Unit 4 Agresso from its competitors.

Complete client support

In both divisions the philosophy of Unit 4 Agresso is based upon the ability to help clients completely and immediately. In the **Business Software** division Unit 4 Agresso can take care of the whole automation process, including maintenance and support, via direct sales offices, specialised sales teams and its own implementation consultants. In the regions where there are not any own branches yet, Unit 4 Agresso usually works with and trains qualified partners who can support the clients on their own.

In **Internet & Security**, Unit 4 Agresso combines the sale of products with a complete range of support services. This makes Unit 4 Agresso into a leading provider of functional and efficient IT security solutions. The services for, among other things, risk analysis, advice, implementation and maintenance, are offered by both Unit 4 Agresso's own sales activities and those of third parties.

Clients can rely upon permanent support, 24 hours per day, 7 days per week, by local teams in several European countries. Practice teaches that security is a continuous process, in which only specialists such as Unit 4 Agresso can adequately avert threats.

Employees

Professional and committed employees are essential for success. A good bond with the 1,800 plus employees speaks for itself at Unit 4 Agresso. The offer of good opportunities for self-development forms a part of this. Unit 4 Agresso offers its employees a good package of primary and secondary employment conditions. Unit 4 Agresso expects from its employees an active input into the realisation of the necessary growth and a high level of responsibility.

Management

Board of Directors

C. Ouwinga (1955)

Chris Ouwinga has been CEO since 1986. His primary field of attention within the organisation is business software. He co-founded the former Unit 4 in 1980. In 1983, he was promoted to assistant director and became responsible for technical issues. In 1986 he was appointed CEO of Unit 4. Under his leadership, Unit 4 Agresso has grown into one of Europe's leading suppliers of business and security software.



drs. E.T.S. van Leeuwen RA (1966)

Edwin van Leeuwen joined Unit 4 Agresso mid 1999 and has been CFO since April 2002. His primary fields of attention are Finance, Legal Affairs and Investor Relations. He is a chartered accountant and was formerly employed with Royal Van Ommeren N.V. as manager Finance & Control. Before that he worked as an accountant for 8 years at, among others, Coopers & Lybrand.



drs. H.P. De Smedt (1963)

Harry De Smedt has been director Internet & Security (COO) and Executive Vice President since 2001. His primary field of attention is IT-security. He has been working at Unit 4 Agresso since October 1980 and occupied several management positions within the company. Mr De Smedt graduated in computer sciences and as Bachelor of Economics and MBA at the University of Diepenbeek in Belgium.



Supervisory Board



drs. Th.J. van der Raadt (1953), chairman

Appointed in 1997. His current positions are: chairman of the Board of Directors of Koninklijke Ahrend N.V., chairman of the Supervisory Board of Koninklijke Peijnenburg Koekfabrieken B.V. and chairman Premsela Stichting voor Nederlandse Vormgeving. Mr Van der Raadt has extensive general managerial experience and specific knowledge about financial management.



prof. Th.J. Mulder (1942)

Appointed in 1997. His current positions are: director of Venture management B.V., professor of Information Science, board member of the Stichting Geschillen-oplossing Automatisering, chairman of the Supervisory Board of DBS B.V., chairman of the Supervisory Board of All4U B.V. and chairman of the Supervisory Board of Quantaris Holding B.V. Mr Mulder has knowledge and experience of managing software companies and solving ICT-conflicts.



J.A. Vunderink (1947)

Appointed in 2002. His current positions are: member of the Supervisory Board of Teleca SA, member of the Supervisory Board of Obigo AB, commissioner at Siennax International B.V. and chairman of the Board of Quint Wellington Redwood B.V. Mr Vunderink has years' experience of the IT industry, both in the market for professional services and for software products. He led international expansions and he is an expert at marketing and account management.



ir. P. Smits (1946)

Appointed in 2003. His current positions are: member of the Board of Telia Sonera AG, member of the Supervisory Board of Enertel N.V., member of the Supervisory Board of Telfort N.V., member of the Advisory Board of Deerns N.V., member of the Advisory Board of Runway Group B.V., chairman of the Advisory Board of Media Plaza, member of the Supervisory Board of Feyenoord Rotterdam. Mr Smits has years' experience of ICT, both home and abroad.

OMNIVERS 8

Insic

Insight into logistic

Insight into logistic processes

Markets change quickly. That requires a fast reaction speed and decisive response to the opportunities which present themselves in the market. In addition, the flow of information is becoming bigger and more complex due to internationalisation and increasing diversity in prices and products. But a wholesaler can only continue to deliver excellent performance if it has manageable and transparent business processes. The wholesaler changes from a traditional 'box pusher' into a trading company with demonstrable added value: in delivery times, stock management, customer service or chain integration. The modern trading company is more than ever aware of its place in the production and marketing chain.

OMNIVERS 8 is an application which ensures that wholesalers always have a clear overview of the logistics processes. That enables them to properly monitor and improve the service levels. In this way further growth is secured. Furthermore, companies with **OMNIVERS 8** can call up and combine so many data that insight is provided for every business process from all angles. This transparency enables companies to make the best decisions on the basis of the best information. **OMNIVERS 8** is not made-to-measure, but is 'fit-for-purpose' for wholesale and distribution. **OMNIVERS 8** combines optimum application possibilities with low total costs and it is therefore not strange that this system has a leading position in the Netherlands in the area of wholesale automation.

[illegible]

Report from the



Harry De Smedt

Chris Ouwinga

Edwin van Leeuwen

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Key figures 2004

Net turnover

€ 276 million (+26%)

EBITDA (operational result excluding

depreciation and amortisation of goodwill)

€ 34.5 million (+22%)

Net result per share before

amortisation of goodwill

€ 0.78 (+18%)

Basis strengthened for further growth

Initially 2004 showed a tentative growth in turnover, but once again we achieved good final scores at the finish. The 26% increase in turnover and the EBITDA increase of 22% are consistent with our earlier pronounced expectations and stand out clearly above the average in the market. Moreover, in 2004 we successfully continued the execution of our strategy: focus on specific market segments and on added value for clients, growth from existing and new activities and improvement of the cost structure. In both Business Software and Internet & Security, the basis for further international growth was strengthened.

The gradual improvement in the business climate resulted in a strong turnover development for both divisions during the first months of the year. The licence turnover in Business Software was high in many countries during the generally weak summer months, particularly due to investment decisions which had been postponed for a long time. The traditional peak in the month of December, with a normally high licence turnover, was lower than usual, due to, among other things, the postponement of a number of government orders until 2005. The total turnover growth in 2004 was however satisfactory. Scandinavia, the Benelux and the United Kingdom were the largest contributors to the turnover growth.

In Business Software, a substantial increase in the turnover from maintenance contracts (+29%) contributed considerably towards the profit growth. This component, which provides a constant income, demonstrates that Unit 4 Agresso has many satisfied clients. The degree of capacity utilisation of our consultants also contributed to the profit growth. The effect of the acquisitions in Sweden, Spain and the Netherlands on turnover and result was still limited. A new version

Board of Directors

of Omnivers 8, an application for the wholesale and distribution sector, contributed considerably towards the increased turnover in the Benelux.

In Internet & Security, the turnover in the second half of the year grew considerably due to the acquisition of Risc Technology. Our competitive position was strengthened significantly and the total turnover rose by 45%. The organic turnover volume grew by 3%. The falling dollar rate caused a price deflation which had a negative effect on the growth of the organic turnover. Against increasing pressures on the prices of products, there are good growth opportunities in services. The long-term perspective for Internet & Security therefore remains good.

Transparency and added value

Both in Business Software and Internet & Security, the market approach was sharpened. For pre-sales and marketing, the Business Software division intensified the international consultation per market sector in order to improve the advice to potential clients and to expand upon it where necessary. The unique product characteristics of Agresso Business World are not only explained, but the costs and benefits for the client will be even better calculated. The many possibilities for management and analysis, the flexibility and the low total costs then become completely transparent.

Last year we were able to convince, amongst others, the Swedish technical installation company Bravida. A large contract was concluded for the licence of Agresso Business World, for implementation and for provision of services. Following a recent international merger, the company has more than 12,500 employees and more than 400 branches in Sweden, Norway and Denmark. It turned out that the different financial systems could easily be integrated into Agresso Business World, such that Bravida could convert from three systems to one system. This led to large usage and cost advantages. In organisations where many changes take place and where provision of services and diverse client relationships are of primary concern, Agresso Business World clearly proves its added value. The multilinguality of the application offers an important additional advantage for companies operating multinationally.

Also in Internet & Security it is not so much the supplied products which are of primary importance, as the added value for resellers and end-users. The increasing complexity in the technology of hardware and the large diversity in security products require more and more specialised knowledge and tailor-made solutions. Unit 4 Agresso therefore provides, to an increasing extent, integrated services for security and continuous protection.

Focus on the public sector

In Business Software, the creation of more economy of scale remains important in order to further improve the cost base and profitability. In this respect Unit 4 Agresso directs itself primarily at expansion of the strategically important public sector. In the United Kingdom, Norway and Sweden we have already built up strong positions in this sector. In Canada, a good start was made in 2004 with bringing in local authorities as clients. In France, the software of Fininfor, which was taken over in 2003, was for the most part rewritten to Agresso Business World, and the focus will be directed primarily at growth in the public sector.

Key points 2004

- Sharp improvement in market positions in public sector
- Development Benelux market above expectations
- Competitive position of Internet & Security strengthened by means of acquisitions

In addition to this, an in-road has been created into the French education sector with an existing product from our Canadian activities. Our knowledge and experience in the public sector also offer outstanding opportunities for growth in many other countries.

In Spain, Unit 4 Agresso acquired its strategic partner Escador Riverland by means of exercising a complete option right. Since the start of the cooperation at the beginning of 2003, Escador Riverland has proved to be adroit in the sale, support and implementation of Agresso Business World. The Spanish organisation, with approximately 125 employees, achieved a turnover of € 7 million in 2004. The large number of fast-growing companies, particularly in the middle market, makes the Spanish private sector an attractive sector.

In order to accelerate the entry into the public sector, the company SPAI, which has around 250 provincial and local authorities as clients, was also taken over in Spain. Due to the contribution of Agresso Business World the larger local authorities in particular can be better served.

In Sweden, the position in the public sector was strengthened with the takeover of the contracts, systems and the 38 employees of ESV. The activities are concerned with the implementation, advice, training and maintenance of automation systems (Agresso Business World) of approximately 230 companies in the Swedish public sector. The activities fit perfectly with the existing activities and could be immediately integrated.

In the Netherlands, the turnover share in the public sector was substantially increased as a result of the takeover of Decade Financial Software, which has a market share of around 16% in the local government sector. Decade has over 30 employees and achieved a turnover of € 5 million in 2004. In addition, Decade supplies software to service providing organisations, such as associations, foundations, educational institutions and housing societies. The combination with Agresso Business World and the joint services and market knowledge offer a good growth perspective.

Organic growth

In Business Software, the organic growth amounted to approximately 7%. A part of the organic growth is achieved by means of partnerships in new geographical markets, which can lead to acquisition at a later stage. New cooperations were also set up in 2004.

In the private market, Unit 4 Agresso has particularly strong market positions in the area of medium-sized and small businesses. More concentrated attention to the large business sector led to an increase in the turnover share in this sector in 2004.

The travel industry is a market sector with good prospects. In 2004, a few dozen licences for Central Command were sold, a multilingual management information system specially developed for the travel industry, which is based on Agresso Business World. In 2005, the sales efforts, both in the United States and in Europe, will be intensified. Central Command was developed together with the American company Sabre, market leader in the area of automated reservation systems and marketing services for the travel industry.

Acquisitions in Internet & Security

For a long time, the profitability of the Internet & Security division has clearly been better than that of other companies in its peer group, but because of the consolidation in the market, accelerated growth was nevertheless important in 2004.

The acquisitions of Risc Technology and Amend led to a growth in turnover of approximately 40% on an annual basis. These acquisitions led to a substantial strengthening of geographical market positions, more joint knowledge and provision of specific services, opportunities for new product market combinations with added value, purchasing advantages and a better cost base for the supporting organisation. This strengthens our competitive position. In the area of distribution of security software, Unit 4 Agresso is now amongst the largest suppliers in Europe.

Risc Technology, with its head office in France, supplies security software and services in France, Belgium, the Netherlands, Germany, the United Kingdom and Italy. The activities form a good supplement to the existing distribution activities, which are brought onto the market under the name NOXS. Including Ireland and Austria, Unit 4 Agresso is now active in eight European countries. These countries represent 80% of the West European market.

Amend in the Netherlands is specialised in provision of high-quality services relating to security and continuity projects and has built up good positions in the sectors of medium-sized businesses, local governments and non-profit organisations.

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In Internet & Security, the research activities are primarily directed at keeping our know-how up to date, so that we can react quickly to new developments in technology and to changes in the product range. The organisation structure was improved for the economies of scale achieved in 2004, particularly in the area of purchasing, logistics and other support services.

Professionalism and commitment

Due to acquisitions we welcomed some 350 new colleagues to Unit 4 Agresso last year. The companies which they worked for were carefully selected on the basis of their added value for Unit 4 Agresso. We are therefore convinced that together we will be in an even better position to strengthen our market positions and to further develop the strategy of Unit 4 Agresso. The further development of our joint professionalism is also of the utmost importance. In the Benelux we have started a High Performance Organisation programme. With this, the result-orientated thinking and working will be even better secured in our organisation. Last year's training courses were attuned to this.

With all the words we devote to the explanation of sales performance, our high-quality services and the advanced products we develop, it is also important to remember the fact that it is ultimately our employees who ensure that we have satisfied customers. Their efforts contribute considerably to the good reputation of Unit 4 Agresso in the market. The management board wishes to thank all employees for their efforts during the last year.

Kind regards,
on behalf of the Board of Directors, Chris Ouwinga

Prospects for 2005

The market for Business Software

A more positive investment climate is expected for the Business Software division in 2005. The attention to cost savings amongst our (potential) clients will, to an increasing extent, give way to initiatives aimed at the creation of competitive advantages, growth, improvement of service levels, and service innovation.

The expected developments with regard to the activities of Unit 4 Agresso are, among other things:

- Local authorities will develop themselves to an increasing extent into organisations in which the provision of services aimed at the citizens is of primary importance. The solutions offered by Unit 4 Agresso can help them to streamline communications and achieve real-time service provision.
- Universities will strive for solutions which will help them to develop programmes for bringing the education system and the organisation more into line with the requirements of the market. As opposed to Unit 4 Agresso's solutions, traditional financial applications are inadequate in this respect.
- Travel organisations will want to strengthen their competitiveness by doing more with fewer means. The solutions offered by Unit 4 Agresso make innovative service provision and growth in the number of clients possible without increasing the number of employees. The added value of our solutions is passed on to the consumer, just as in other vertical markets, so that he can get more insight and better opportunities for planning and decision making.
- Technical organisations will more actively apply themselves to (international) growth via existing or new activities. For the management of this process, the solutions provided by Unit 4 Agresso can offer important support and direct cost and profit advantages.
- Wholesale and distribution companies will strive for improvement of service levels in order to secure their growth. The solutions offered by Unit 4 Agresso provide them with the means they need to follow the progress in this area properly and to fine-tune the service performance to the expectations of their clients.
- In the health care sector, the need for cost-saving systems which can increase the efficiency of the organisation will grow. Unit 4 Agresso, who, in 2004, achieved a good turnover growth in the hospital health care sector, expects the growth in this sector to continue.

The most important themes which will influence the market in 2005, are concerned mostly with the achievement of the following business objectives:

Performance measurement

Performance measurement contributes directly towards the achievement of business objectives. Whilst in the past performance measurement was mostly carried out by the financial department, companies are now introducing performance measurement in all fields of their organisations. Time constraints force organisations to direct themselves strongly at non-financial indicators which immediately show the performance of each field of operation.

Transparency and reporting

Time constraints not only originate from within the organisation itself, but also from outside. Government requirements with regard to the provision of accurate, timely and relevant company information, such as IFRS, Sarbanes-Oxley and the Tabaksblat Code, continue to have an effect on the IT strategy of organisations. Financial planning and management processes are being further developed. Consolidation of (international) financial systems is high on the agenda in this respect in order to guarantee compliance and efficiency in reporting.

Change management

To an increasing extent, organisations have a need for systems with which they can prepare analyses which lead to well-founded decisions and which also enable them to react quickly to changing requirements and market conditions.

Forrester Research (November 2004): "91% of business users stated that they were forced to limit the changes to their business processes due to inflexible software applications. When the market changed, high IT costs had to be incurred."

Better utilisation of the human capital

Better performance and quick change can only happen if organisations allow their employees to perform in an optimum manner. Their skills and knowledge must be transformed into added value for clients and shareholders. For this reason, the traditional focus on the automation of only the administrative tasks (efficiency and monitoring) gives way more and more to programs which stimulate the productivity and the performance of employees and their bond with the company.

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Monitoring of processes from start to finish

Business processes run less and less in parallel with the possibilities offered by software applications and functionalities. In order to be able to properly monitor business processes from start to finish, organisations are in search of possibilities for empowerment of their employees. More and more use is therefore made of portals, whereby employees receive information via individual access facilities with regard to the advances in different business processes.

Shorter lines for management and decision making

Empowerment of employees is not only concerned with productivity or process efficiency. Enabling employees to make correct decisions in a timely manner is at least as important. Organisations are in great need of systems which will help them to provide every individual employee with the right information at the right time.

Cost savings

Companies, governments and non-profit organisations that hardly see their incomes growing, will keep cost management high on the agenda. They can save costs if employees spend less time on administrative tasks and if responsibilities are delegated to the lowest levels in the organisation. This is possible by introducing so-called distribution processes which render the traditional paper administration, e.g. for purchasing, expenditure, travel, time registration and invoicing, unnecessary.

Strategic initiatives in Business Software

Unit 4 Agresso keeps the attention directed at the optimisation of the leading positions in its core markets. The strategic spearheads for 2005 are:

- the introduction of a new version of Agresso Business World with a large number of innovations and new functionalities, particularly in the areas of architecture, management reporting, purchasing, expansion of reporting techniques, the integration of internet and office functionalities, and of modules for Human Resources and projects;
- the expansion of the activities for direct sales of Central Command, the management information system for the travel industry. The emphasis here is on North America and a number of European countries, including the United Kingdom, France and Italy;
- the capitalisation of our know-how and market positions in the public sector, for which we strengthened the basis in 2004;
- the introduction of specialised, locally developed applications in other countries, or investigation into the possibilities for this.

In addition, the following strategic initiatives will remain of importance during the coming years:

- expansion of the distribution networks by means of acquisitions and cooperations paying special attention to the areas in which we are not yet represented;
- expansion of the economy of scale in strategic areas;
- the development of specific products for the target groups.

The market for Internet & Security

Unit 4 Agresso expects that with continued economic recovery the market for IT security will grow further in 2005. The following developments will have an effect on the demand in the market and the competitive position of Unit 4 Agresso:

Increasing diversity and complexity

The speed with which technological developments take place remains high. This leads to a continuous stream of new products, both in infrastructure and in security. The emergence of mobile hardware with higher intelligence and the increase in the number and type of connections which are made between equipment stimulate the demand for IT security. Implementation and maintenance of IT security are becoming more complex due to the emergence of all-in-one solutions. This stimulates the demand for services with added value such as those offered by Unit 4 Agresso.

Consolidation amongst suppliers

The number of suppliers is decreasing and their size is increasing. They strive for a reduction in the number of distributors and optimisation of the turnover per distributor.

Consolidation amongst distributors

Economies of scale are also necessary for distributors in order to remain competitive. Distributors with a large and international client portfolio and good sales support make the most attractive business partners for suppliers. With the acquisition of Risc Technology the competitive position of Unit 4 Agresso was therefore significantly strengthened in 2004.

Increasing internationalisation

The number of companies with branches in more than one country is increasing. For providers of IT security products and services it is important to be able to serve these clients in several countries.

Pressures on the prices of products

The pressures on the prices of security products are continuing, in particular on antivirus products for the desktop. The turnover in product licences is decreasing in line with the trend, to the advantage of the turnover in products with an unlimited validity period which are maintained and supported for an annual fee.

Increase in on-line security management

Due to increasing complexity in IT security, the demand for integrated service provision with added value is increasing. Clients worry less about the products which are used or supplied. The total solutions which the provider of IT security can offer and maintain are increasingly becoming the main concern. This stimulates the demand for on-line security management, whereby these total solutions can be managed at a distance.

Strategic initiatives in Internet & Security

By means of acquisitions Unit 4 Agresso strengthened its market positions substantially in 2004. Despite the economy of scale and the expansion of service provision, continued growth remains important in order to maintain a strong competitive position. The strategic spearheads for 2005 are:

- expansion of the number of product lines and optimisation of the added value for existing suppliers by means of, among other things, improved economies of scale;
- growth via existing activities, stimulated by the reorganisation and integration of the companies acquired in 2004;
- growth via existing activities in regions in which Unit 4 Agresso still has limited market positions, such as Italy and the United Kingdom;
- growth via new activities. On-line security management, which lends itself well to cross-border provision of services, can play a role here;
- growth by means of continued focus on services with added value;
- reduction of the transaction costs per order by means of process optimisation in the central European distribution centre and more sales volume as a result of the acquisitions in 2004.

Turnover and profit expectations

In Business Software, Unit 4 Agresso has significantly strengthened its position in a number of markets. With the exception of special economic circumstances we are therefore positive with regard to the expected growth in turnover and result.

Assuming a stable dollar rate, and notwithstanding strong competition and margin pressures, Unit 4 Agresso expects to be able to achieve a clear organic growth in Internet & Security turnover. The major reorganisation in Germany, which will be completed in 2005, and the acquisition of Risc Technology, will make important contributions to the improvement in profitability. We are positive with regard to the opportunities to further increase our market share in Europe.

On the basis of current trends and comparable valuation principles, Unit 4 Agresso expects the turnover to rise by 7 to 10% in 2005 and the operational result (EBITDA) by at least 15%.

Developments in Business Software

Activities

The Business Software division develops, sells, implements and supports business software for the management, support and optimisation of business processes and for the optimisation of the operational management. The business software of Unit 4 Agresso is particularly suitable for companies and organisations in which provision of services, projects, and many different sorts of client relationship are of primary importance. Core markets are the public sector and medium-sized and large companies in wholesale, distribution, and provision of professional and business services.

Turnover development

In most countries there were signs of a slight improvement in the economy during 2004. The readiness to invest however did not fully keep up with this, and followed an erratic course throughout the year. In most countries Unit 4 Agresso was able to improve its market share.

Turnover increased in 2004 to € 156.8 million (+15%). The effect of the acquired companies was limited. The turnover of our former partner Escador Riverland in Spain was to a large extent already achieved with Agresso Business World. The turnovers of SPAI in Spain, ESV in Sweden and Decade Financial Software in the Netherlands were consolidated with effect from January, October and December 2004 respectively. The organic growth of the turnover amounted to 7%.

Turnover Business Software division (in € x 1 million)

	2004	2003	Development 2004 vs. 2003	2004 as % of total	2003 as % of total
Licences	41.1	39.7	4%	26%	29%
Maintenance	59.0	45.8	29%	38%	33%
Services & other	56.7	51.4	10%	36%	38%
Total	156.8	136.9	15%	100%	100%

Licences

The development of the licence turnover showed a significant growth in the first quarter, a stabilisation in April and May, and a substantial increase in June. During the second half of the year the licence turnover developed well. This resulted in an increase in the licence turnover of 4%. A relatively strong growth took place in the public sector, the market for distribution and wholesale and in the sale of products to internationally operating companies.

Maintenance

Existing as well as new clients form the growing and stable basis for our turnover in maintenance contracts. The turnover in maintenance contracts grew considerably to € 59.0 million (+29%). This activity is of the utmost importance due to the recurring character of the income. Furthermore, the growth factor is directly linked to the licence turnover. The consistent increase in the turnover share from maintenance contracts and services results in an improvement of the risk profile, due to the fact that the dependence of the market's willingness to invest diminishes.

Services & other

The turnover from services increased by 10%. The provision of services consists mainly of implementation of software at our clients. The turnover development of these services is closely linked to the development of the licence turnover. The capacity utilisation of our consultants improved due to, among other things, improvements in planning systems.

Developments per region

The strongest turnover growth occurred in Germany (+61%), Sweden (+32%) and France (+15%). In absolute numbers, the Benelux, Sweden and the United Kingdom contributed most to the increased turnover.

In the **Benelux** the turnover increased by 5% and the profitability improved considerably. Applications for hospital health care and for salary administration made a major contribution to this. Cross-selling of various applications and the integration of the logistics application Omnivers in Agresso Business World also contributed towards the increased turnover. In accountancy software, the market share was increased to approximately 70%. The acquisition of Decade Financial Software has resulted in an important strengthening on the market for local government and other service providing organisations.

In the **United Kingdom** the turnover increased by 5% as well and the profitability further improved. The private sector grew stronger than expected and the public sector, in which Unit 4 Agresso has already reached a strong position, remained stable.

The turnover in **Sweden** developed especially well and increased by 32%. Many new clients were acquired, in particular in the private sector. The licence turnover was high. Amongst the biggest contracts was the supply of software and services to the Ethiopian Electric Power Corporation, the main supplier of electricity in Ethiopia. The capacity in services for the public sector was expanded with the acquisition of ESV. The turnover in specialised applications for property management developed particularly well.

In **Norway** the turnover stabilised. Unit 4 Agresso maintained its strong market position in the government market. With the help of new modules Unit 4 Agresso will search for new product market combinations.

In **Denmark** services for the support of a new, large client were commenced. A sales organisation was also set up here.

In **France** the turnover increased by 15%. The software from Fininfor, which was taken over in 2003, was to a large extent rewritten to Agresso Business World. Together with the Canadian organisation, a Canadian application for higher education is being made suitable for the French market. A good turnover development is expected in 2005 in the markets for local authorities and private schools.

In **Spain** the turnover developed well. In 2004, partner Escador Riverland and the company SPAI were taken over. As a result, Unit 4 Agresso possesses good in-roads into the fast-growing middle-segment of the private sector, and into the public sector. In addition the Spanish companies have various self-developed applications available for interesting niche markets.



In **Germany** the turnover developed well, due amongst other things to a strengthening of the management and the sales team. In **Italy, Austria and Hungary** contracts were concluded with partners. These will be trained in 2005 and they will start with the translation and development of locally required functionality.

In the **United States** the turnover developed slowly, mainly because the critical mass is still limited. For Central Command, developed in the United States, a few dozen clients were acquired in the United States, **Canada** and the United Kingdom. A number of small travel agents have an ASP licence. They are linked to a joint central computer for which they pay a monthly subscription.

The higher education sector also offers good opportunities for growth. Since 2000, the American organisation has brought a self-developed student information and registration system with financial modules from Agresso Business World onto the market.

Operational results

Operational results Business Software (in € x 1 million)

	Development		
	2004	2003	2004 vs. 2003
Turnover	156.8	136.9	14.5%
Cost of sales	14.2	12.3	15.4%
Gross profit	142.6	124.6	14.4%
Amortisation	5.0	4.9	2.0%
Personnel and other costs	112.3	101.6	10.5%
Operational result excluding amortisation of goodwill (EBITA)	25.3	18.1	39.8%
EBITDA	30.3	23.0	31.7%
% gross profit	90.9%	91.0%	-0.1%
% EBITDA	19.3%	16.8%	15.0%

The EBITDA increased by 32% to € 30.3 million. The largest contribution to the growth of the EBITDA was made by the countries where we have already been active for a longer time: Sweden, the Benelux, the United Kingdom and Norway. Of primary importance for the profitability is the number of existing clients, as the maintenance services for these clients form a fixed source of income. The pressures on the prices of services and maintenance increased slightly in some countries.

The gross EBITDA margin increased to 19.3% (+15%). This important improvement was primarily due to two factors:

- The turnover increase contributed towards a better relationship to the R&D costs, which Unit 4 Agresso is able to keep at a stable level. As a result, the total R&D costs expressed as a percentage of the turnover fell from 15.9% to 15.1%.
- The capacity utilisation of the consultants was significantly improved. A better system for the planning and monitoring of the capacity and the results per employee made an important contribution here. Furthermore, a great deal of attention was paid to the timing of the recruitment of new employees, so that it could properly suit the organic growth.

Research & Development

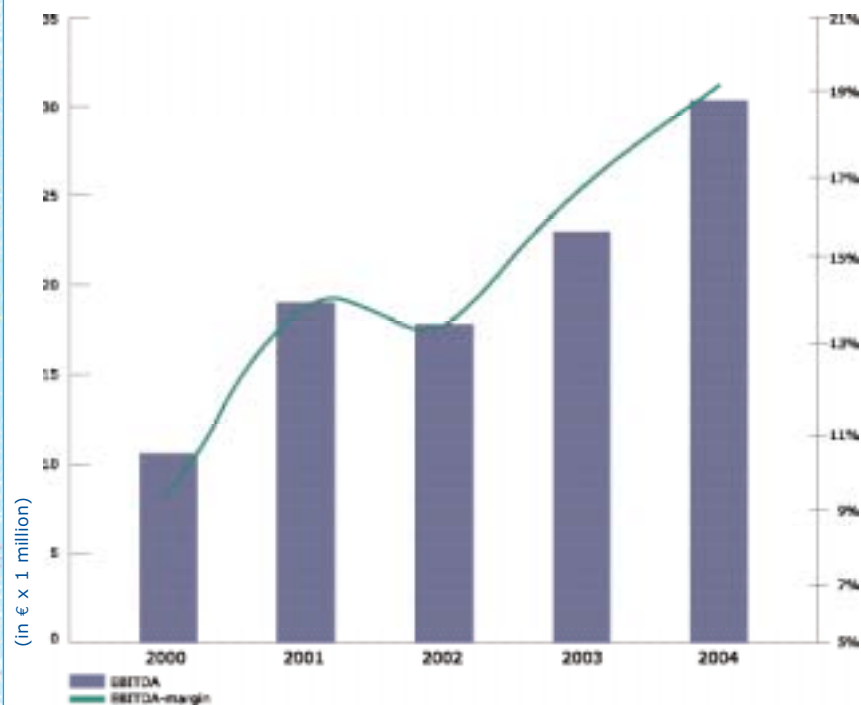
Investment in R&D increased slightly in 2004 to € 23.7 million (+9%).

Part of the effort was directed at the supply of an update for Agresso Business World to strengthen the position of the management reporting. Most of the effort however was spent on a new version of Agresso Business World, which will be introduced in the first half of 2005. This version offers a large number of innovations and new functionalities, particularly in the areas of architecture, local government, management reporting, purchasing, reporting techniques, the integration of modules for Human Resources and projects, and of internet and office functionalities. With this version the competitiveness of Agresso Business World will become further strengthened.

In most countries R&D activities are also carried out for the purpose of local, specialised applications for niche markets. Notwithstanding the limited economy of scale, these often lead to market positions which enable a good profit level. The weaker presence of international competition plays a role in this.

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Development EBITDA and EBITDA-margin



Developments in Internet & Security

Activities

The Internet & Security division sells security software from third parties and supplies services for implementation and maintenance of the data security. Unit 4 Agresso offers specialised know-how, in particular extensive product knowledge, and customised solutions with added value for the whole security process: from risk analysis to the implementation, optimisation and maintenance of the security. The internet activities are aimed at the investigation, implementation and optimisation of internet applications. Besides that, concepts are developed to gain even more efficiency from internet communication.

Turnover development

The total market for IT-security grew again in 2004. Increasing use of modern infrastructure, such as broadband internet and Wi-Fi, the linking of PC's and networks at different locations and new threats like SPAM and spyware stimulated the market. On the other hand however, many companies were still cautious with investments due to the doubts surrounding the sustainability of the economic recovery. The number of companies expanding their activities in the area of IT security increased slightly. This does not apply however to the number of specialist companies such as Unit 4 Agresso, which supplies a complete and integrated range of products and services.

The turnover increased in 2004 to € 119.2 million (+45%), mainly due to the acquisition of Risc Technology. The organic growth of the turnover amounted to 3%. The falling dollar rate led to a price deflation which had a considerable negative effect on the turnover development. With an unchanged dollar rate compared with 2003 the organic turnover would have grown by approximately 10%. In addition a number of large projects were postponed.

Turnover Internet & Security division (in € x 1 million)

			Development	2004	2003
			2004 vs.	as %	as %
	2004	2003	2003	of total	of total
Products & licences	99.1	68.9	44%	83%	84%
Services & other	20.1	13.3	51%	17%	16%
Total	119.2	82.2	45%	100%	100%

The products and licences component shows a fall in line with the trend, due to increasing competition and pressures on prices. Against this there is a rise in the growth of services, also in line with the trend, with a healthy gross margin. In 2004 however, the turnover share in products was positively influenced by the acquisition of Risc Technology, which was consolidated with effect from 1 July.

Products & licences

The turnover from products and licences increased by 44% to € 99.1 million. Within this turnover category particularly the turnover in products in the area of anti-SPAM, intrusion prevention, anti-spyware and encryption increased. Desktop antivirus is developing into a basic product with limited added value. The turnover in these products fell. The turnover in gateway antivirus products and firewalls developed well. A trend which became stronger in 2004 was the supply of all-in-one applications via hardware specifically for the SME market sector.

Services & other

The turnover from services increased by 51% to € 20.1 million. All forms of service provision developed well. The number of clients who chose for on-line security management increased further. This service is a good alternative to the sale of licences in the small and medium-sized business market. The substantial growth in specialised consultancy services was achieved mainly due to the expansion in capacity and competence which was the result of the acquisition of Amend.

Developments per region

The market conditions in Germany were still difficult, but improved slightly. A reorganisation was started at the end of 2004 which will be completed in the first half of 2005. Especially in the Benelux and France the turnover and results developed well.

In 2003, most of the distribution activities for supply to resellers were united under the name NOXS. In 2004 the German and Belgian distribution activities were also incorporated therein. It turned out that NOXS (Number One for eXcellence in Security) clearly contributes towards a better international position in the market. The distribution activities of the companies taken over in 2004 will also be brought onto the market under the name NOXS.

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Operational results

Operational results Internet & Security (in € x 1 million)			
	2004	2003	Development 2004 vs. 2003
Turnover	119.2	82.2	45.0%
Cost of sales	89.0	61.4	44.9%
Gross profit	30.2	20.8	45.2%
Amortisation (excluding goodwill)	0.7	0.7	0.0%
Personnel and other costs*	26.0	15.6	66.7%
Operational result excluding amortisation of goodwill (EBITA)	3.5	4.5	-22.2%
EBITDA	4.2	5.2	-19.2%
% gross profit	25.3%	25.3%	0.0%
% EBITDA	3.5%	6.3%	-44.4%
* In 2004 including € 2.0 million reorganisation costs			

The EBITDA fell to € 4.2 million (-19%). The main reasons for this were the disappointing turnover development, partly due to the price deflation caused by the falling dollar, reorganisation costs in Germany and integration costs in connection with the two acquisitions that took place.

Positive was the fact that Unit 4 Agresso was able to maintain the average gross margin at 25.3%. This means that the competitive position remains strong. In the interests of good cost management it is of the utmost importance to carefully monitor the developments in the areas of (the consolidation of) suppliers, the product range and technology. These constantly lead to new opportunities and threats. This is a permanent task for the Security Product Board at Unit 4 Agresso, which consists of a team of the most experienced security executives.





The acquisitions which took place in 2004 have strengthened the position of the division considerably, both with regard to competitors and to relationships with suppliers. In 2005 this will lead to strengthening of the market positions and improvement of the cost structure due to economies of scale. The distribution of the all-in-one applications (hardware), a fast growing sector, is a good example of the latter. This takes place for all countries via our central European distribution centre in Brussels, the capacity of which was expanded in 2004.

Central Command

INSIGHT

Insight into travel and client information

Insight into travel

Insight into travel and client information

Central Command

Insight into travel and client information

Until recently, travel agencies had to rely on separate systems for their financial administration and product and client information. **Central Command** combines the entire financial administration and all product and client information into one system. That saves time and creates insight and overview by means of new possibilities for combining data. With this, **Central Command** is the first complete management information system for the travel industry.

Unit 4 Agresso developed **Central Command** together with its American partner Sabre. In **Central Command**, the Agresso back-office products are completely integrated with the Sabre reservation system and specific functionalities have been incorporated for the travel industry. This provides travel agencies with many valuable application possibilities. All relevant statistical information with regard to commissions, prices and travel alternatives is simple to call up. In the leisure sector, many different types of journey are offered, with many variations in route, travel time, facilities and extras. Exactly for this sort of use the flexibility of Agresso Business World proves to be of great value.

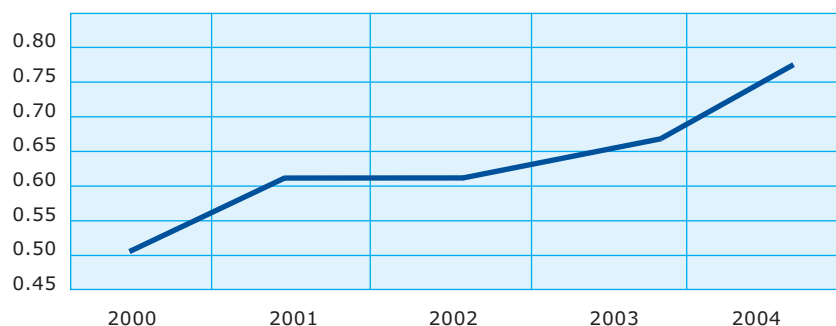
In addition to travel information, **Central Command** also offers historical information per client. Essential and properly manageable management information therefore becomes available. The added value for travel agencies is not just in the information itself, but also in the ease and speed with which data become available. That means pure profit in labour productivity. **Central Command** turns out to be a success with both small and large travel agencies.

and client information

Financial summary

The net result before amortisation of goodwill increased in 2004 by 20% to € 20.0 million. The net result fell by 13.3% to € 11.1 million as a result of increased amortisation of goodwill and an impairment charge of € 2.4 million to the goodwill of NOXS Germany (formerly Icon Systems). The net result per share before amortisation of goodwill rose by 18% to € 0.78 (2003: € 0.66).

Earnings per share before amortisation of goodwill in €



The EBITDA rose by € 6.3 million to € 34.5 million, which amounts to an increase of 22%.

In the first half of the year the EBITDA amounted to € 15.3 million, and in the second half of the year to € 19.2 million. This difference was caused by the seasonal pattern, primarily in the area of licences, and the acquisition of Risc Technology. In the first half of the year the turnover amounted to € 115.8 million, and in the second half to € 160.2 million.

The total turnover in 2004 increased by 26% to € 276.0 million. The gross profit increased by € 27.4 million, mainly due to additional turnover from maintenance contracts and increased licence turnover. The personnel costs increased by 18% whilst the average number of personnel increased by 19%. An average of 1,677 employees worked at Unit 4 Agresso in 2004.

The amortisation of goodwill increased by € 5.0 million due to increased depreciation of the acquisitions and an impairment charge of € 2.4 million to the goodwill of NOXS Germany (formerly Icon Systems).

The group capital increased in 2004 to an amount of € 87.9 million, an increase of 19% compared with 2003 (€ 74.0 million). The solvency (the share of the group equity compared to the total capital) fell slightly to 42.0% (2003: 48.6%).

The profitability on capital employed* reached a level of 38.0% (2003: 36.8%).

* The profitability on capital employed is calculated by dividing the operational result before depreciation and amortisation of goodwill (EBITDA) by the group equity plus long-term debts.

Part of the capital consists of goodwill and activated and acquired software development costs. These development costs are only capitalised when all capitalisation criteria have been fulfilled. For both of the named components, a so-called impairment test is carried out each year in order to test the valuation. In total the amount of these intangible fixed assets comes out at € 71.5 million (2003: € 40.1 million).

The growth of the goodwill is explained by the acquisitions which took place in 2004. The increase in the development costs is related on the one hand to the products of the acquisitions and on the other hand to internally-developed software. The internally-developed software concerns mainly the development of Agresso Business World and localisations of this product. The total R&D costs amounted to € 23.7 million in 2004 (2003: € 21.7 million). Out of this amount € 7.7 million was capitalised in 2004.

The operating capital (excluding cash at bank and in hand) fell in 2004 by € 14.3 million to an amount of € 19.0 million negative. This improvement is the result of, among other things, the improved optimisation of the debtor position, activated and acquired software development costs and the increase in pre-invoiced maintenance contracts.

Due to earn-out payments and acquisitions which were financed from Unit 4 Agresso's own means, the cash at bank and in hand fell by € 3.0 million to an amount of € 27.3 million.

Application of International

As from the financial year 2005 Unit 4 Agresso will report according to the new IFRS. Next to that the 2004 figures will be adjusted according to the same valuation principles for comparison purposes. Although most IFRS standards are final and have in the meantime been ratified by the European Commission and are being supported by the relevant legislators, a number of standards were only recently published. Moreover, some of these standards are still subject to different interpretations. Therefore any conclusion about the influence of the transition from the principles for reporting generally accepted in the Netherlands to IFRS is tentative. Besides that, all effects from IFRS that are reflected are subject to an audit at the moment.

Opening balance 1 January 2004

The table below indicates per balance entry the influence of IFRS on the balance as per 1 January 2004.

Influence IFRS on shareholders' equity on opening balance as per 1 January 2004		
Fixed assets	Marginal positive influence	IFRS 3 / IAS 38
Current assets	-	
Cash at bank and in hand	-	
Long-term debts (including pension)	Marginal negative influence	IAS 19 / IAS 39
Short-term liabilities	-	

Marginal	< 1%
Little	1 - 5%
Moderate	5-10%
Important	>10%

Fixed assets

The reporting standard concerning corporate acquisitions prescribes that assets acquired in the past are to be differentiated from the goodwill if a reliable valuation of the asset exists at the moment of acquisition. This has marginal effect on the fixed assets, in so far as goodwill is activated on the balance. Unit 4 Agresso will make use of the option offered by IFRS not to value goodwill on the balance again that was charged directly to the shareholders' funds in the past.

Pension provisions

In the future pension provisions will be reported as part of the long-term debts. The long-term debts will increase because of the way personnel pension schemes should be dealt with under the new standards.

IFRS distinguishes between defined benefit schemes and defined contribution schemes. To the latter category applies that the contributions are to be incorporated in the profit and loss account, meaning that there are no differences compared to the current applicable standards. The obligations arising from the defined benefit schemes are to be incorporated in the balance in the future, after deducting the value of the with third parties administrated funds and available investments. The obligations equal the market value of the defined benefit schemes, taking into account expected future increases of claims because of pay increases. The fact that expected rises in salaries and investment developments are being calculated in, is the most important change from the past accounting principles. Since only a limited part of existing pension

Financial Reporting Standards

schemes is based on defined benefits, the valuation difference for pension obligations will be relatively small.

Results 2004

The largest positive effect will follow from the valuation of acquisitions and the treatment of goodwill. In principle, amortisation of goodwill will no longer take place. Instead a so-called impairment test will be carried out annually to determine to what extent the valued goodwill is still valuable. However, IFRS stipulates that in case of an acquisition more intangible fixed assets should be differentiated, resulting in a lower goodwill. Although Unit 4 Agresso expects that a large part of the existing amortisation of goodwill will disappear from the profit and loss account, in the future part of this amortisation will be shown in the IFRS financial statements under the entry depreciation (other) intangible fixed assets.

Influence IFRS on net result 2004		
Net revenues	-	
Operational costs (excluding depreciation and amortisation of goodwill)	Moderate negative influence	IAS 19 / IFRS 2 / IFRS 3
EBITDA	Moderate negative influence	
Depreciation	Moderate negative influence	IFRS 3
Amortisation of goodwill	Important positive influence	
EBIT	Important positive influence	IFRS 3
Interest and special entries (balance)	-	
Net profit before taxes	Important positive influence	
Taxes	Little positive influence	

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Marginal	< 1%
Little	1 - 5%
Moderate	5-10%
Important	>10%

Operational costs

The operational costs are influenced by the higher pension costs (marginal negative influence), the higher personnel costs through the valuation of personnel options (in 2004: no influence), the disappearance of the amortisation of goodwill (important positive influence) and the increase in depreciations on other intangible fixed assets (moderate negative influence).

The effects of the transition to IFRS will have no influence on the strategy, operational procedures or cash flows of Unit 4 Agresso and will not change the history of Unit 4 Agresso in a material way.

Risks and

Risk management in general

When carrying out its activities, Unit 4 Agresso has to deal with business risks such as macro-economic developments, seasonal influences, changing market circumstances, new competition, changing purchasing margins, fluctuations in supply and demand and the speed with which new technologies are accepted. In addition, it is possible that risks which are currently not recognised, or are deemed as not material, will later turn out to have an important negative effect on the ability of Unit 4 Agresso to realise its corporate objectives. Our internal risk management and control systems are geared to the timely identification of these risks.

In order to manage the effects of these developments, every organisational unit of Unit 4 Agresso must periodically carry out an analysis of the risks. On the basis of this analysis every organisation within Unit 4 Agresso must then draw up a plan for risk management that forms part of the business plan.

In addition Unit 4 Agresso operates in accordance with directives in the area of internal control, financial reporting and investment decisions, making intensive use of its own software which has been integrated over the entire width of the organisation. In addition to quantitative aspects, information provision also contains qualitative aspects, such as the development of the prospect portfolio and the capacity usage of the consultants.

The risk management and internal management system of Unit 4 Agresso consists of the following main components:

- Guidelines and consultation structures;
- Reporting and analysis;
- Inspection visits.

Guidelines and consultation structures

The following important management measures (guidelines and policy rules) exist within Unit 4 Agresso:

- guidelines (manual) with regard to financial reporting;
- corporate governance structure laid down in articles of association and internal regulations;
- treasury policy plan which sets out objectives and policy rules for cash and foreign currency management and financing;
- guidelines with regard to budgeting and annual plans;
- annual consultation with the Supervisory Board, in which the most important risks and mitigating measures are discussed in detail;
- management regulations in which specific (conduct) rules and authorisations are regulated for all operating company directors. As of 2005 this will be formalised in greater detail;
- regulations and recording for transfer pricing;
- division management meets monthly with members of the Board of Directors to discuss progress and relevant matters.

Reporting and analysis (per operating company)

Reporting within Unit 4 Agresso is geared to being able to gain timely, effective and efficient insight into the degree in which strategic and financial objectives are achieved. The communication of financial and management information

risk management

takes place in accordance with the guidelines which have been laid down within the reporting system. All operating companies report via a uniform procedure. The most important reports are:

- annual budget including business plan;
- daily reporting on cash position (cash pool);
- every quarter, detailed financial information on the expected outcome of the annual budget (estimate);
- detailed monthly financial results compared to the budget and preceding years;
- detailed qualitative information per month (development of pipeline, capacity usage of consultants, order portfolio, development of operating capital and R&D projects);
- monthly written reports of account of local management on relevant matters such as receivables, personnel affairs, possible claims, market expectations, competitive position, analysis of monthly result and other risks.

The Board of Directors is of the opinion that systematic and regular reporting of the development of the most significant risks for Unit 4 Agresso is a vital aspect of the demonstrability of the effectiveness of the internal risk management system. In addition to the reports, timely and thorough analysis and consolidation of the financial management information is a critical success factor. The consolidation and analyses take place at the head office and are carried out by the Corporate Finance Department (CFD) which reports directly to the CFO.

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Inspection visits

Unit 4 Agresso consists of a large number of operating companies which are responsible for their own local internal control, financial reporting and risk management. With regard to reporting to the head office, it is important that there is consultation between the local financial management and the head office. In addition to this consultation there are regular inspection visits from CFD. These inspection visits are carried out locally and are geared to determining that all reporting takes place timely and reliably, and that risk management and the management measures are executed adequately. In addition, CFD advises on the further optimisation of the internal management system.

In addition to the aforementioned internal control, all the regular audits are carried out by external accountants (Ernst & Young).

Based on the reports of these audits, its own observations and past experience, the Board of Directors states that the risk management and internal management system, as outlined above, functioned properly in the 2004 reporting year. The true effectiveness can only be assessed on the basis of the results over a longer period of time and/or on the basis of specific review of the design, the existence and the working of the internal management measures. In a rapidly changing world with ever new challenges, ever further reaching demands are set for internal risk management processes and the review thereof, so that these processes can always stand improvement. The policy of the Board of Directors remains geared to the continual review and improvement of the risk management system in order to optimise the reliability and effectiveness of these processes and the monitoring thereof as much as possible and to adjust them where necessary.

Reservation: No matter how well we have set up our internal risk management and control system, it can never offer absolute certainty that objectives in the area of strategy, operation, reporting and compliance with legislation will always be reached. Reality shows that when making decisions human errors of judgment can be made, that cost/benefit considerations always have to be made when accepting risks and taking management measures, that even simple errors or mistakes through human failing can cause significant losses, that conspiring functionaries can lead to circumvention of internal control measures and finally that it is possible for the management to ignore agreements made.

Strategic risks

Economic climate and seasonal influences

Unit 4 Agresso's flow of revenue primarily consists of the sale of licences, maintenance contracts and services. The latter component mainly consists of implementation and support. The economic climate and the related willingness to invest have an immediate impact on the number of new licences and the related maintenance contracts and services. Outsourcing of implementation work, especially in periods of boom, cushions part of the negative consequences of a possible lapse of the market. The revenues from maintenance contracts are far less susceptible to the economic climate. These revenues come from the existing clientele and are recurring. At present 21% of the total turnover comes from maintenance contracts. Due to the fact that this turnover category rose sharpest in 2004, we can say that the risk profile has improved.

The sensitivity to economic fluctuations lies in particular in the area of new licences. Partly due to the seasonal influences this kind of revenue flow entails a specific risk. The months of June and December are very important, not least because they immediately precede a 'natural' starting time for the use of new software. A risk-reducing factor for licences and services is the fact that over two thirds of the turnover is achieved from the existing clientele.

Turnover spread

A balanced spread of turnover and profit from various countries and markets is important to avoid being dependent on the results of a specific country or a specific market.

Compared to previous years, Unit 4 Agresso was able to ensure that the risk was better spread in 2004.

The markets in which Unit 4 Agresso is active and the long relations with various clients mean that the risks are spread.

Geographically speaking, the turnover of Unit 4 Agresso is spread as follows: Benelux (43%), Scandinavia (17%), the United Kingdom and Ireland (16%), France (12%), Germany (6%), Spain (3%), United States of America and Canada (2%) and other countries (1%).

The vertical markets in which Unit 4 Agresso is active are the public sector (local and central governments, healthcare, non-profit organisations, universities and schools), professional service providers, wholesale and distribution companies.

Risks of harm in acquisitions

Risk management is an important part of the acquisition policy. In order to control the risks when executing this policy, Unit 4 Agresso has formulated the following positions:

- In principle, acquisitions must immediately contribute to the earnings per share and a return requirement is observed whilst maintaining healthy balance sheet ratios.
- Unit 4 Agresso looks closely at the quality of the management and attaches great importance to the involvement of selling directors/stakeholders. To achieve this commitment, use is made of earn-out structures in which amongst other things a (limited) package of shares in Unit 4 Agresso is issued. In principle a lock-up scheme applies to these packages.
- The acquisitions must correspond with the strategy of the organisation as a whole and must contribute to strengthening the position of Unit 4 Agresso on the intended key markets.
- Finally the company culture of the takeover candidate must correspond with that of Unit 4 Agresso to promote integration into and cooperation with the existing organisations.

Competitive position

In terms of size, Unit 4 Agresso has a position in the middle of the market compared to the other players. The difference in size between Unit 4 Agresso and its most important competitors directly affects its competitive position. The larger companies in principle have more budget for R&D and can invest more easily in new activities and products and theoretically have greater resilience in case of setbacks. Unit 4 Agresso's size forms a risk when making large investments and important acquisitions. Decisions in this area have a relatively large impact on the results.

Unit 4 Agresso's reply to this risk is 'focus'. The competitive position of Unit 4 Agresso depends on its ability to put distinctive products on the market. That is why Unit 4 Agresso concentrates on a number of specific vertical markets with technological concepts it has developed itself. Specialisation, reliability, flexibility and low total cost of ownership are the most important elements in this.

Technological risks

R&D

R&D is one of the critical success factors for the company. The development of new products and technologies requires a lot of time. Depending on the technology applied, it can take three to seven years. That means high investments and a small tolerance for failures or late introduction of products. Unit 4 Agresso spends 15% of the turnover of business software on R&D. In absolute terms this is a substantially lower amount than a number of competitors earmark for this purpose. This forces Unit 4 Agresso to maintain a sharp focus and increase the number of clients by means of alliances and acquisitions. The R&D activities of Unit 4 Agresso are controlled centrally by one director who is responsible for corporate R&D.

Operational risks

Debtors

As a sales organisation, Unit 4 Agresso has debtor risks. By means of careful investigation of creditworthiness and the system that use can only be made of the software after payment (by means of annually changing PIN codes), the risk of non-payment is limited. Only in cases of bankruptcy or possible product and implementation problems is the risk increased.

Credit control was further intensified in 2004. This can in particular be seen in the relatively low debtor position that Unit 4 Agresso has had for years.

Financial risks

Currency risks

Unit 4 Agresso's financial statements are in euros. The Unit 4 Agresso group operates with subsidiaries throughout Europe and is represented in the United States and Canada as well. This causes the group to be subject to fluctuations between the reporting currency and the different functional currencies formed by the local currencies of the economic regions in which the subsidiaries operate. An important part of Unit 4 Agresso's results is realised in non-euro countries, mainly being Norway, Sweden and the United Kingdom. If deemed necessary, Unit 4 Agresso uses financial instruments such as different forms of options and forward contracts to safeguard its results as much as possible.

Interest rate risks

Unit 4 Agresso is only partly liable to interest rate risks because it has nearly no long-term agreements with third parties including an interest fee. The funding of the group is monitored and managed on consolidated level by means of which interest rate agreements concerning subsidiaries in the different countries are centralised as much as possible.

Credit risks

Unit 4 Agresso assesses the creditworthiness of its clients and customers, both with new clients and on a continuous basis if deemed necessary. In specific cases advice is obtained from credit agencies.

Personnel and organisation

The number of employees grew considerably in 2004 due to six acquisitions. In all countries, initiatives took place in order to further improve the professionalism of employees and the efficiency within the organisation. Unit 4 Agresso has a number of centrally formulated basic principles in the area of employees and organisation. For the remainder, the policy in this area is optimised per region and subsidiary company.

The total number of employees (FTE) increased in 2004 by 389 persons to 1,805 employees (2003: 1,416). Of these, 1,467 employees work in Business Software and 338 in Internet & Security.

The increase is primarily a result of the acquisitions of Risc Technology (125 employees) in France, Escador Riverland (125 employees) in Spain, ESV in Sweden, SPAI in Spain and Amend and Decade Financial Software in the Netherlands.

Organically, the number of employees increased slightly. The average number of employees increased by 19% to 1,677 (2003: 1,410). A further growth in the number of employees is expected in 2005.

High Performance Organisation

In the Benelux, an organisation improvement campaign was started for the Business Software division under the name of High Performance Organisation. A new programme for result-orientated management and assessment has been especially developed for this purpose. The aim is to make clear agreements with regard to objectives and results in order to encourage performance-orientated thinking and working. For this, different result zones and corresponding performance indicators have been defined. In 2004 employees were acquainted with these changes by means of workshops. At the beginning of 2005 the High Performance Organisation programme was put into use within Unit 4 Agresso in the Benelux, as a pilot.

In 2004, KOMPAS discussions were introduced in the Netherlands for the Business Software division. These discussions are held between the five directors of the Dutch subsidiaries and all employees. Each director holds one or more of these discussions per week. KOMPAS stands for the subjects which are discussed: Klant, Organisatie, Medewerker, Product, Aandeelhouders en Strategie (Client, Organisation, Employee, Product, Shareholders and Strategy). The first experiences with these discussions, which can provide essential bottom-up information, have been extremely positive. In addition, there are KOMPAS teams which consist of employees of different departments or sub-divisions of the company. The objective of these teams is to put the improvement points which come up in the KOMPAS discussions into practice.

Company culture

The culture of Unit 4 Agresso is aimed at achieving the objectives which have been clearly communicated in advance. Transparency in the written and spoken word is characteristic of Unit 4 Agresso as a whole. Change is a given in present-day operational management. The point here is that the management of the enterprise knows how to manage those changes. The informal organisation of Unit 4 Agresso and the short lines between management and employees guarantee the unambiguous values towards which the Unit 4 Agresso employees direct themselves: integrity, pride - in the company and in the work that they do - and loyalty.

With the growth of the company however, it is also important to embed these values even better into the way in which we interact with each other.

Social responsibility

Unit 4 Agresso strives for more diversity in the work force, and expressly offers opportunities to people from disadvantaged groups. Traditionally, there is close cooperation with educational institutions in the different regions. Unit 4 Agresso offers students the chance to get to know the company in many different ways. Both on the initiative of the company and on the initiative of employees, attention and money are given to charities.

Training and development

Unit 4 Agresso has a clear growth strategy. In order to execute this, the availability of management and the quality of the management are important success factors.

The management development programme introduced a few years ago has in the meantime reached adult status. In 2004 the training was expressly directed at the objectives for a High Performance Organisation. All managerial staff were trained, whereby the emphasis lay on result-orientated working and the style of leadership which goes with it.

The policy for education and training has two goals. Firstly, it must enable the company to achieve its objectives by means of trained and well educated employees. Secondly, it must offer the employees the opportunity to develop themselves both professionally and personally.

Remuneration

In all companies the total remuneration package is in line with the accepted remuneration structures (primary and secondary) in the countries and regions concerned. The primary remuneration of the direct employees consists of a fixed part and a variable part. The amount of the variable part depends on the level of personal effort and the results of the business.

Works council

In 2004, just as in previous years, there was good and constructive consultation with the works council of the N.V. One of the most important subjects was a uniform pension scheme for all employees in the Netherlands. As a result of the many acquisitions during the past few years, several different schemes existed. The works council and the management agreed upon a new pension scheme. In the other countries where Unit 4 Agresso has works councils there was constructive consultation with the management as well.

The modified structure of the works council, which was changed last year, has functioned well. As a part of this the works council of the N.V. was reduced to seven representatives. In addition, Onderdeelcommissies (OCs) (sub-committees) were formed.



The works council members who were elected during the works council elections automatically have a seat in the OC of their own business unit. In this way the knowledge and information from all business units of the company remains represented in the works council of the N.V. and effective consultation with the management can take place.

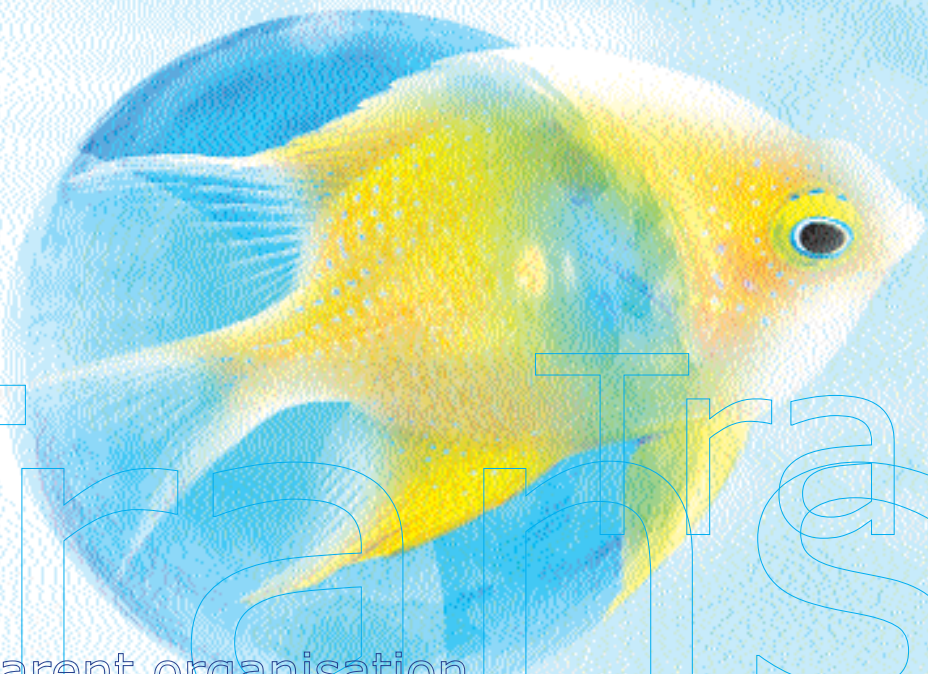
The works council of the N.V. holds half-yearly consultation with the management about the general state of affairs within Unit 4 Agresso N.V. The supervisory board is also represented here. It was evident yet again that open dialogue with the employees provides a great deal of clarity and positively influences the working atmosphere.

Slidrecht, 21 February 2005

The Board of Directors

Chris Ouwinga
Edwin van Leeuwen
Harry De Smedt

Agresso Business World



Transparent

A transparent organisation

A transparent organisation

A transparent organisation

A transparent organisation

Agresso Business World

A transparent organisation

How do you keep a tight hold on corporate governance? How do you comply with all the internal and external requirements for transparent reporting? Standardisation of company information within an organisation is perhaps the simplest solution. But not the best, because that is at the expense of the optimisation of the performance per department. Each department must be able to get the best out of itself and out of its employees. It is also necessary to be able to react quickly to changes in the market. That applies just as much to a commercial company as to an organisation in the public sector.

Agresso Business World takes into account the dynamic market conditions and the personal character and personal tasks of all departments within an organisation. Agresso Business World nevertheless offers all necessary control and possibilities for transparent reporting, whether it concerns reporting in accordance with IFRS and the Sarbanes-Oxley Act, or an internal analysis of the company results.

Agresso Business World combines a complete integration of company data with the possibility to provide information to all departments in the correct context. That enables organisations to delegate responsibilities to managers at all levels within the organisation and to monitor and measure the results accurately. By so doing you create a transparent organisation. Managers get a complete insight into every subject which is of importance to them. They get the information in their own technical jargon, so that this can be utilized optimally for their own management and control activities. Optimum control possibilities and insight combined with optimum operational management, that is the essence of corporate governance.

transparent
organisation

Corporate Governance

In view of the goal of Unit 4 Agresso to follow the Netherlands Corporate Governance Code as much as possible and to make this procedure public, and in view of the obligations under the heading of Article 391 Paragraphs 4 and 5 Book 2 of the Civil Code and the Decree of 23 December 2004 to establish other regulations regarding the contents of the annual report, following is a point-by-point summary of the degree in which the Principles and Best-Practice Provisions of the Netherlands Corporate Governance Code are being followed by Unit 4 Agresso. The documents on the web site referred to in this summary, can be found on www.unit4agresso.com:

Company -> Corporate Governance

Best-practice provisions according to the Dutch Corporate Governance Code

I. Compliance with and enforcement of the code

I.1 The broad outline of the Corporate Governance structure shall be explained in the annual report.

In the Annual Report for 2004 Unit 4 Agresso gives an integral reaction to the Corporate Governance Code. Starting with the Annual Report for 2005 a separate heading will be dedicated to the Corporate Governance structure and possible changes thereto.

I.2 Each substantial change in the Corporate Governance structure shall be discussed as a separate agenda item in the general meeting of shareholders.

Unit 4 Agresso complies with this provision.

II. Management Board

II.1 Role and procedure

II.1.1 A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.

Unit 4 Agresso does not apply this provision. In principle, directors act from a strategic, long-term perspective as a result of which the limitation of an appointment does not fit in. Furthermore, Unit 4 Agresso does not endorse the principle that the progression to a position within the management board results in a change in the terms of employment from a permanent to a non-permanent appointment. For future members of the management board, the duration for which the employment will remain in force will be assessed per situation.

II.1.2 The management board shall submit the strategy and objectives to the supervisory board for approval. The main elements shall be mentioned in the annual report.

Unit 4 Agresso complies with this provision. Having regard to the Regulations of the supervisory board the strategy and objectives are submitted to the supervisory board for approval. As regards the statement of strategy and objectives in the annual report, the following must be taken into consideration: Unit 4 Agresso operates in a market which is cyclically sensitive and the results are often sensitive to market and seasonal fluctuations. Expectations must be expressed in a responsible manner, and especially under uncertain economic circumstances Unit 4 Agresso must ensure that no expectations are aroused which, due to major uncertainties, may not come to fruition. Unit 4 Agresso will,

where possible, communicate its financial objectives but reserves the right to make no pronouncements if the uncertainties are too great.

II.1.3 The company shall have an internal risk management and control system that is suitable for the company.

Unit 4 Agresso complies with this provision. For this, Unit 4 Agresso makes use of internally-developed software. Risk analysis and management are also fixed items on the agenda of the supervisory board.

II.1.4 The management board shall declare in the annual report that the internal risk management and control systems are adequate and effective.

During the financial year attention was paid to the further construction of the company's internal risk management and control systems. The strategic and operational risks were listed, providing insight into the risks that are significant and specific to the company. These risks and the policy formulated to that are described in the chapter 'Risks and risk management' on the pages 36 to 40 of this annual report. The more structured approach to internal risk management and control that was introduced in 2004 will be further established in the organisation during 2005. The functioning of the systems will be monitored systematically. The management board will carry out evaluations in cooperation with the management of divisions, business units and specialised departments, using the COSO (ERM) model as frame of reference. The activities relating to the internal risk management and control systems are discussed regularly by the management board and the supervisory board.

II.1.5 In the annual report the management board shall set out the sensitivity of the results of the company to external factors and variables.

Unit 4 Agresso complies with this provision and includes this information in the chapter 'Risks and risk management' of the annual report.

II.1.6 Whistleblower procedure

A whistleblower procedure came into force as from 1 January 2005 and has been made public on the website.

II.1.7 A management board member may not be a member of the supervisory board of more than two listed companies. Nor may a management board member be the chairman of the supervisory board of a listed company.

Unit 4 Agresso complies with this regulation. At the present time the members of the Unit 4 Agresso management board do not hold positions on the supervisory boards of listed companies.

II.2 Remuneration

II.2.1 Options to acquire shares are a conditional remuneration component.

Unit 4 Agresso does not have any conditional options. It should be noted in this respect that the options are issued "at the money" and only increases in the value thereof can be paid out.

II.2.2 Unconditional options should not be exercised in the first three years after they have been granted.

Unit 4 Agresso already operated this rule and also complies with this provision from 2005.

II.2.3 Shares which are granted to management board members without financial consideration, shall be retained for a period of at least five years.

Unit 4 Agresso complies with this provision.

II.2.4 The option exercise price shall not be fixed at a level lower than the stock exchange price at that moment.

Unit 4 Agresso concurs with this provision and has also acted in accordance with this best-practice provision in the past.

II.2.5 Neither the exercise price nor the other conditions shall be modified during the term of the options.

Unit 4 Agresso complies with this provision and has in the past always acted in accordance with this best-practice provision.

II.2.6 The supervisory board shall draw up regulations concerning the ownership of and transactions in shares.

Unit 4 Agresso endorses this provision and will implement it in 2005.

II.2.7 The maximum remuneration in the event of non-voluntary dismissal is one year's salary or if this would be unreasonable, a maximum of two years.

Unit 4 Agresso endorses the principle that unreasonably high severance payments should not be made to management board members in relation to the functioning and the working relationship of management board members. Unit 4 Agresso does not have any non-permanent appointments nor does it have any advance agreements with regard to severance payments for management board members. Cases of dismissal will be handled, when the occasion arises, with reasonableness and with due regard to the circumstances.

II.2.8 The company shall not grant its management board members any personal loans or guarantees.

Unit 4 Agresso has issued a loan to a party connected with one of Unit 4 Agresso's key officers. See Note 5 on page 78 of the annual accounts. In the future Unit 4 Agresso will comply with this provision.

Determination and disclosure of remuneration

II.2.9 Remuneration report

In view of the fact that the remuneration of the management board is the joint responsibility of the supervisory board, the supervisory board implements this provision by including the remuneration of the management board on the agenda for its annual meeting without the presence of the management board members.

II.2.10 Information to be included in the remuneration report

Unit 4 Agresso endorses the main points of this best-practice provision. The supervisory board implements it in a practical manner with reference to the provisions of II.2.9. The remuneration report contains an overview of the remuneration policy and a report on the way in which the remuneration policy was applied in the past financial year. In accordance with provision II.2.13 the remuneration policy is presented to the general meeting of shareholders for approval and is published on the website.

II.2.11 The main elements of the contract of a management board member shall be made public.

Unit 4 Agresso endorses this provision and will implement it with future appointments of management board members.

II.2.12 Special remunerations to management board members to be explained in the remuneration report.

Unit 4 Agresso endorses the content of this provision and will implement it when the occasion arises.

II.2.13 Remuneration report to be posted on company's website.

Unit 4 Agresso implements this provision by making the main points of the remuneration policy public in the annual report. The annual report is posted on the website. The remuneration policy, as established in the remuneration report, must be approved by the general meeting of shareholders. On the basis of the remuneration policy, the supervisory board determines the remuneration of the individual management board members.

II.2.14 The company shall state in the notes to the annual accounts, the value of any options granted to the management board and personnel and shall indicate how this value is determined.

No options were issued in 2004. As from 2005 Unit 4 Agresso will comply with this provision.

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II.3 Conflicts of interest

II.3.1 A management board member shall not, in relation to the company enter into competition, demand or accept (substantial) gifts, provide unjustified advantages, or take advantage of business opportunities to which the company is entitled.

Unit 4 Agresso complies with this provision, which has in the meantime been established in the regulations of the management and supervisory boards, which have been posted on the website.

II.3.2 A management board member shall immediately report any (potential) conflict of interest to the chairman of the supervisory board and to the other members of the management board. The supervisory board shall decide whether there is a conflict of interest.

Unit 4 Agresso complies with this provision, which has in the meantime been established in the regulations of the management and supervisory boards, which have been posted on the website.

II.3.3 A management board member shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest.

Unit 4 Agresso complies with this provision, which has in the meantime been formally established in the regulations of the management and supervisory boards, which have been posted on the website.

II.3.4 All transactions in which there are conflicts of interest with management board members require the approval of the supervisory board and shall be published in the annual report.

Unit 4 Agresso complies with this provision, which has in the meantime been formally established in the regulations of the management and supervisory boards, which have been posted on the website.

- III Supervisory Board
- III.1 Role and procedure
- III.1.1 The division of duties and the procedures within the supervisory board shall be laid down in a set of regulations. These regulations shall state the supervisory board's relationships with the management board, the general meeting of shareholders, and, where relevant, the works council. The regulations shall be posted on the website.
Unit 4 Agresso complies with this provision and has incorporated it into the articles of association.
- III.1.2 The annual report shall include a report of the supervisory board with regard to its activities.
Unit 4 Agresso complies with this provision.
- III.1.3 Gender, age, profession, principal position, nationality, other positions, date of initial appointment and current term of office of supervisory board members shall be included in the report.
Unit 4 Agresso has already been complying with this provision for some time.
- III.1.4 A supervisory board member shall retire early in the event of inadequate performance.
Unit 4 Agresso complies with this best-practice provision.
- III.1.5 Supervisory board members who are frequently absent from supervisory board meetings shall be called to account for this.
Unit 4 Agresso complies with this best-practice provision.
- III.1.6 Supervision of the management board by the supervisory board with regard to strategy and internal control.
Unit 4 Agresso complies with this provision.
- III.1.7 The supervisory board shall discuss, without the management board being present, both its own functioning and that of its individual members, and the functioning of the management board and the performance of its individual members. Reference to these discussions shall be made in the report of the supervisory board.
Unit 4 Agresso has already been complying with this provision for some time.
- III.1.8 Discussion by the supervisory board with regard to strategy and risks, internal risk management and control systems. Reference to these discussions shall be made in the report of the supervisory board.
Unit 4 Agresso complies with this provision and dedicates a separate meeting thereto.
- III.1.9 The supervisory board and its individual members each have their own responsibility for obtaining all information from the management board and the external auditor, officers and external advisers. The company shall make the necessary information available.
Unit 4 Agresso endorses the background to this provision, whereby the gathering of information is carried out in the first instance by the management board, due to its primary responsibility to inform the supervisory board. This is also established in the regulations of the supervisory board, which are signed by both the supervisory board and the management board, and are posted on the website.

III.2 Independence

III.2.1 All supervisory board members with the exception of not more than one, shall be independent.

Unit 4 Agresso complies with this provision.

III.2.2 Independence criteria applicable to supervisory board members.

Unit 4 Agresso complies with this provision.

III.2.3 The report of the supervisory board shall confirm the independence of its members.

Unit 4 Agresso complies with this best-practice provision.

III.3 Expertise and composition

III.3.1 The supervisory board shall prepare a profile of its size and composition. The profile shall be posted on the website.

Unit 4 Agresso complies with this provision (see art. 3 and Annex A of the regulations of the supervisory board on the website).

III.3.2 At least one member of the supervisory board shall be a financial expert.

Unit 4 Agresso complies with this provision (see art. 3 of the regulations of the supervisory board on the website).

III.3.3 After their appointment, all supervisory board members shall follow an induction programme. The supervisory board shall assess which of its members require further training or education.

Unit 4 Agresso complies with this provision (see art. 7 of the regulations of the supervisory board on the website).

III.3.4 Limitation of the number of supervisory boards on which a supervisory board member may sit in order to assure a proper performance of his duties.

Unit 4 Agresso complies with this provision (see art. 3 of the regulations of the supervisory board on the website).

III.3.5 A person may be appointed to the supervisory board for a maximum of three 4-year terms.

Unit 4 Agresso complies with this provision (see art. 3 of the regulations of the supervisory board on the website).

III.3.6 The supervisory board shall draw up a retirement schedule. This schedule shall be posted on the website.

Unit 4 Agresso complies with this provision (see Annex B of the regulations of the supervisory board on the website).

III.4 Role of the chairman of the supervisory board and the company secretary.

III.4.1 The chairman of the supervisory board monitors the proper functioning of the supervisory board and its committees, arranges for the timely provision of information, ensures that there is sufficient time for making decisions, initiates the evaluation of the functioning of the supervisory board and the management board, and ensures that contacts between the supervisory board and management board and the works council pass off properly.

Unit 4 Agresso complies with this provision (see art. 4 of the regulations of the supervisory board on the website).

- III.4.2 The chairman of the supervisory board shall not be a former member of the management board of the company.

Unit 4 Agresso complies with this provision (see art. 3 of the regulations of the supervisory board on the website).

- III.4.3 The chairman of the supervisory board shall be assisted by the company secretary.

Unit 4 Agresso complies with this provision (see art. 4 of the regulations of the supervisory board on the website).

- III.5 Composition and role of three key committees of the supervisory board.

In view of the relatively limited size of the organisation and the supervisory board (four members) it has been decided not to set up a separate audit committee, remuneration committee and/or selection committee. This means that the supervisory board as a whole attends to these matters. Within the supervisory board, use is of course made of the specific expertise of the different members. However, discussion and decision-making in this respect are carried out by the complete supervisory board.

- III.5.1 The supervisory board shall draw up a set of regulations for each committee. The regulations and the composition of the committees shall be posted on the company's website.

Not applicable.

- III.5.2 The report of the supervisory board shall state the composition of the individual committees, the number of committee meetings and the main items discussed.

Not applicable.

- III.5.3 The supervisory board shall receive from each of the committees a report of its deliberations and findings.

Not applicable.

Audit committee

- III.5.4 The audit committee shall focus on supervising the activities of the management board with respect to internal risk management and control systems, the provision of financial information, compliance with recommendations of internal and external auditors, role and functioning of the internal audit department, the company policy on tax planning, relationships with the external auditor, financing of the company and the application of information and communication technology.

Taking into account that there is no separate audit committee, Unit 4 Agresso complies with this best-practice provision.

- III.5.5 The audit committee shall act as the principal contact for the external auditor in the event of irregularities in the financial reports.

Taking into account that there is no separate audit committee, Unit 4 Agresso complies with this best-practice provision.

- III.5.6 The audit committee shall not be chaired by the chairman of the supervisory board, or by a former member of the management board.

Not applicable.

- III.5.7 At least one member of the audit committee shall be a financial expert.

Not applicable.

III.5.8 The audit committee shall decide whether and when the CEO, the CFO, the external auditor and the internal auditor should attend its meetings.

There is no separate audit committee, see introduction under III.5.

III.5.9 The audit committee shall meet with the external auditor as often as it considers necessary, but at least once a year, without management board members being present.

There is no separate audit committee, see introduction under III.5.

Remuneration committee

III.5.10 Duties of the remuneration committee: proposal to the supervisory board for the remuneration policy to be pursued, proposal for the remuneration of individual management board members, preparing the remuneration report.

In view of the limited size of the supervisory board it has been decided not to set up a separate remuneration committee. Tasks are carried out by the complete supervisory board.

III.5.11 The remuneration committee shall not be chaired by the chairman of the supervisory board, or by a former member of the management board, or by a supervisory board member who is a member of the management board of another listed company.

Not applicable.

III.5.12 No more than one member of the remuneration committee shall be a member of the management board of another Dutch listed company.

Not applicable.

Selection and appointment committee

III.5.13 Selection, appointment and assessment of supervisory board members and management board members. Proposals for appointments and reappointments, supervising the management board on the selection criteria and appointment procedures for senior management.

Taking into account that there is no separate appointment committee, Unit 4 Agresso complies with this best-practice provision.

III.6 Conflicts of interest

III.6.1 Reporting of a (potential) conflict of interest of a supervisory board member to the chairman of the supervisory board.

Unit 4 Agresso complies with this provision (see art. 10 of the regulations of the supervisory board on the website).

III.6.2 A supervisory board member shall not take part in a discussion and/or decision-making on a subject or transaction in relation to which he has a conflict of interest with the company.

Unit 4 Agresso complies with this provision (see art. 10 of the regulations of the supervisory board on the website).

III.6.3 Decisions to enter into transactions in which there are conflicts of interest with supervisory board members require the approval of the supervisory board. Such transactions shall be published in the annual report.

Unit 4 Agresso complies with this provision (see art. 10 of the regulations of the supervisory board on the website).

- III.6.4 Transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company, require the approval of the supervisory board. Such transactions shall be published in the annual report.

Unit 4 Agresso complies with this provision (see art. 10 of the regulations of the supervisory board on the website).

- III.6.5 The regulations of the supervisory board shall contain rules on dealing with conflicts of interest between management board members, supervisory board members and the external auditor.

Unit 4 Agresso complies with this provision (see art. 10 of the regulations of the supervisory board on the website).

- III.6.6 The duties of a delegated supervisory board member may entail more intensive supervision and advice and more regular consultation with the management board. The delegation shall be of a temporary nature.

Unit 4 Agresso does not have a delegated supervisory board member.

- III.6.7 A supervisory board member who temporarily takes on the management of the company, where the management board members are absent or unable to fulfil their duties, shall resign from the supervisory board in order to take on the management board task.

Unit 4 Agresso complies with this provision (see art. 10 of the regulations of the supervisory board on the website).

III.7 Remuneration

- III.7.1 A supervisory board member shall not be granted any shares or rights to shares.

Unit 4 Agresso complies with this provision (see art. 6 and Annex C of the regulations of the supervisory board on the website).

- III.7.2 Any shares held by a supervisory board member are long-term investments.

Unit 4 Agresso complies with this provision (see art. 6 and Annex C of the regulations of the supervisory board on the website).

- III.7.3 The supervisory board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by supervisory board members, other than securities issued by their own company. The regulations shall be posted on the website. Changes in the shareholding of the supervisory board member shall be reported to the compliance officer, or if the company has not appointed a compliance officer, to the chairman of the supervisory board.

Unit 4 Agresso complies with this provision (see art. 6 and Annex C of the regulations of the supervisory board on the website).

- III.7.4 The company shall not grant its supervisory board members any personal loans, guarantees or the like unless in the normal course of business and after the approval of the supervisory board. No remission of loans shall be granted.

Unit 4 Agresso complies with this provision (see art. 6 and Annex C of the regulations of the supervisory board on the website).

III.8 One-tier management structure

This principle and the associated provisions are not applicable to Unit 4 Agresso, as Unit 4 Agresso has a management board and a supervisory board (two-tier management board structure) in accordance with Dutch company law.

III.8.1 The chairman of the management board shall not also be and shall not have been an executive director.

Not applicable.

III.8.2 The chairman of the management board shall check the proper composition and functioning of the management board.

Not applicable.

III.8.3 The committees referred to in chapter III.5 shall consist only of non-executive management board members.

Not applicable.

III.8.4 The majority of the members of the management board shall be non-executive directors and are independent within the meaning of art. III.2.2.

Not applicable.

IV The shareholders and general meeting of shareholders

IV.1 Powers

IV.1.1 The general meeting of shareholders may pass a resolution to cancel a binding nomination by a majority vote and a quorum of a maximum of 1/3. If the quorum is not reached then a new meeting may be called without the quorum requirement.

Unit 4 Agresso complies with this provision (see art. 16.4 of the draft articles of association on the website).

IV.1.2 The voting right on financing preference shares shall be based on the fair value of the capital contribution.

Unit 4 Agresso does not have any preference shares.

IV.1.3 In the event of a bid for takeover or a participating interest above a certain value as named in draft article 2:107a of the civil code, the management board shall, at its earliest convenience, make its position public.

Unit 4 Agresso complies with this provision (see art. 18.1c of the draft articles of association on the website).

IV.1.4 The policy on reserves and dividends shall be dealt with and explained as a separate agenda item at the general meeting of shareholders.

Unit 4 Agresso complies with this provision (see art. 30.2 of the draft articles of association on the website).

IV.1.5 The resolution to pay a dividend shall be dealt with as a separate agenda item at the general meeting of shareholders.

Unit 4 Agresso complies with this provision (see art. 30.2 of the draft articles of association on the website).

IV.1.6 Resolutions regarding discharge of management board members from liability for execution of the policy, and discharge of supervisory board members from liability for the supervision exercised, shall be voted on separately in the general meeting of shareholders.

Unit 4 Agresso complies with this provision (see art. 30.2 of the draft articles of association on the website).

IV.1.7 Determination of registration date for the exercise of voting rights and the rights relating to meetings.

Unit 4 Agresso complies with this provision and the possibility of a registration date exists (see art. 32.7 of the draft articles of association on the website).

IV.2 Certification of shares

Unit 4 Agresso is not involved in certification of shares, only shares with voting rights.

IV.2.1 The management of the trust office shall enjoy the confidence of the certificate holders and operate independently. These matters shall be discussed explicitly during a meeting of certificate holders.

Not applicable.

IV.2.2 The managers of the trust office shall be appointed by the management of the trust office. No (former) management board members or (former) supervisory board members, employees or permanent advisers shall be part of the management of the trust office.

Not applicable.

IV.2.3 A person may be appointed to the management of the trust office for a maximum of three 4-year terms.

Not applicable.

IV.2.4 The management of the trust office shall be present at the general meeting of shareholders.

Not applicable.

IV.2.5 In exercising its voting rights, the trust office shall be guided primarily by the interests of the certificate holders.

Not applicable.

IV.2.6 The trust office shall report at least once per year on its activities. The report shall be posted on the website.

Not applicable.

IV.2.7 Requirements to be met by the report named in IV.2.6.

Not applicable.

IV.2.8 Issue of proxies to certificate holders.

Not applicable.

IV.3 Provision of information to and logistics of the general meeting of shareholders.

IV.3.1 Presentations to analysts, (institutional) investors and press conferences shall be announced on the website and by means of press releases. Shareholders should be able to follow these meetings by means of webcasting, telephone, etc. Presentations shall be posted on the website.

Unit 4 Agresso aims to inform all stakeholders as thoroughly as possible and simultaneously. Press releases are circulated to all stakeholders simultaneously and posted on the Unit 4 Agresso website. At the present time webcasting is not yet used for the analyst presentations.

The presentation is however posted on the website. Unit 4 Agresso is considering the use of webcasting in the future.

IV.3.2 Analysts' reports and evaluations shall not be assessed, commented upon or corrected in advance, other than factually.

Unit 4 Agresso complies with this provision.

- IV.3.3 No fees for research, production or publication of analysts' reports.
Unit 4 Agresso complies with this provision.
- IV.3.4 Meetings with analysts/investors shall not take place shortly before the publication of the financial information.
Unit 4 Agresso complies with this provision and has in this respect always acted within the framework of applicable laws and regulations.
- IV.3.5 The management board and supervisory board shall provide the general meeting of shareholders with all requested information, unless this would be contrary to an overriding interest of the company.
Unit 4 Agresso complies with this provision.
- IV.3.6 Information shall be placed on a separate, non-commercial part of the website.
Unit 4 Agresso complies with this provision and gives separate information in the 'investor' section of its website.
- IV.3.7 If right of approval is granted to the general meeting of shareholders the information shall be provided via a 'shareholders circular'.
The shareholders circular shall be posted on the website.
Unit 4 Agresso complies with this provision.
- IV.3.8 The report of the general meeting of shareholders shall be made available no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report within the following three months.
At Unit 4 Agresso, the chairman and secretary finalise the minutes in accordance with the law and regulations and the provisions of the articles of association. The minutes will also be posted on the website.
The minutes will be discussed as a separate agenda item during the next general meeting of shareholders.
- IV.3.9 The management board shall provide a survey of all existing or potential anti-takeover measures in the annual report.
Unit 4 Agresso complies with this provision and explains these measures in its annual report.
- IV.4 Responsibility of institutional investors.
- IV.4.1 Institutional investors shall annually publish on their website their policy on the exercise of the voting rights for shares they hold in listed companies.
Not applicable.
- IV.4.2 Institutional investors shall annually report on their website and/or in their annual report, on how they have implemented their policy on the exercise of voting rights in the year under review.
Not applicable.
- IV.4.3 Institutional investors shall report on their website at least once a quarter, on whether and how they have voted as shareholders in the general meeting of shareholders.
Not applicable.
- V The audit of the financial reporting and the positions of the internal auditor function and the external auditor
- V.1 Financial reporting
- V.1.1 Careful procedures, whereby the supervisory board supervises the preparation of the financial publications.
Unit 4 Agresso complies with this provision, both with regard to the

preparation and publication of (half-)yearly figures and financial information, and the supervisory role of the supervisory board in this area.

- V.1.2 The audit committee shall determine how the external auditor should be involved in the content and publication of financial reports other than the annual accounts.

Unit 4 Agresso does not have an audit committee.

- V.1.3 The management board is responsible for quality and completeness of publicised financial reports. The supervisory board shall see to it that the management board fulfils this responsibility.

Unit 4 Agresso has already been complying with this provision since it became a listed company. Apart from the applicable standard procedures and the use of unambiguous systems within Unit 4 Agresso for, inter alia, the financial reporting and management information, monthly reports are submitted to the supervisory board with regard to the financial progress and other relevant information.

- V.2 Role, appointment, remuneration and assessment of the functioning of the external auditor

- V.2.1 The external auditor shall attend the general meeting of shareholders and may be questioned in relation to the fairness of the annual accounts.

Unit 4 Agresso complies with this provision on the understanding that the questioning of the external auditor is limited to questions regarding his audit activities and the auditor's report issued by him. The auditor may not be questioned with regard to the content of the annual accounts.

- V.2.2 The management board and the audit committee shall report to the supervisory board with regard to the independence of the external auditor. The supervisory board shall make a nomination for appointment of the external auditor in the general meeting of shareholders.

Unit 4 Agresso does not have an audit committee as a result of which this requires a combined action between the management board and the entire supervisory board.

- V.2.3 Assessment of the external auditor every four years and announcement of the most important conclusions in the general meeting of shareholders for assessment of the nomination for appointment.

Unit 4 Agresso complies with this provision on the understanding that it will be implemented by the management board and the entire supervisory board, in view of the fact that there is no audit committee.

- V.3 Internal auditor function

- V.3.1 Involvement of the external auditor and the audit committee in the drawing up of the work schedule of the internal auditor.

Unit 4 Agresso endorses the principle that the assessment and auditing of the internal risk management and control systems takes place under the responsibility of the management board. In view of the relatively limited scope and complexity, Unit 4 Agresso does not yet have a formal internal audit department. Implementation of this principle will be carried out by the Corporate Finance Department which operates under the direct responsibility of the CFO.

- V.4 Relationship and communication of the external auditor with the organs of the company
- V.4.1 The external auditor shall attend the meeting of the supervisory board at which the annual accounts are to be approved or adopted.
Unit 4 Agresso endorses this provision and has already implemented it since it became a listed company.
- V.4.2 The external auditor may request the chairman of the audit committee to be present at the meeting of the audit committee.
Unit 4 Agresso does not have an audit committee.
- V.4.3 The external auditor shall report to the management board and the supervisory board his findings in relation to his audit of the annual accounts.
Unit 4 Agresso already complies with this provision.

Report from the

The Supervisory Board presents the annual report 2004 of Unit 4 Agresso N.V. We discussed the annual accounts prepared by the Board of Directors of Unit 4 Agresso N.V. in the presence of the company's external auditors. The annual accounts were audited by Ernst & Young Accountants, Rotterdam. The auditors' report is included on page 93 of this document.

We advise the General Meeting of Shareholders to approve the 2004 annual accounts and to adopt the proposed appropriation of result as stated on page 94. The discharge of the Board of Directors for their management in 2004 and of the Supervisory Board for their supervision are included as separate items on the agenda of the General Meeting of Shareholders.

During the year under review the Supervisory Board discussed the business progress of Unit 4 Agresso N.V. regularly and in depth. To this end the entire Supervisory Board met formally seven times. There was also informal contact between the Board of Directors and the Supervisory Board.

During the meetings special attention was paid to:

- the strategy of the company as a whole and the development of the group results;
- acquisitions and the integration of these acquisitions;
- the developments regarding Corporate Governance (Tabaksblat commission);
- risks and risk management.

The functioning of both the Board of Directors and the Supervisory Board was discussed during a meeting of the Supervisory Board in the absence of the Board of Directors. The entire Supervisory Board has discussed, again in the absence of the Board of Directors, the staffing, succession and remuneration of the Board of Directors. At present, the Board's remuneration consists of a fixed salary and a variable pay. This latter component is dependent on the achievement of profit and growth objectives.

During the General Meeting of Shareholders on 11 May 2005 Mr Th.J. Mulder will step down from the Supervisory Board for personal reasons. During the same meeting a proposal for the appointment of a new member of the Supervisory Board will be put on the agenda. A profile of this candidate is available from the company's website.

A regulation specifying the working method and profile of the Supervisory Board was adopted earlier. This regulation is available from the company's website. No options were issued to the members of the Supervisory Board during the year 2004.

Supervisory Board

Finally we would like to state that the result developed properly. The year 2004 was characterised by a hesitant market recovery and tentative growth and the management has clearly proved itself by achieving its communicated growth objectives. We would like to take this opportunity to express our appreciation for the efforts of the Board of Directors and employees of Unit 4 Agresso N.V. which have led to this result.

Slidrecht, 21 February 2005

drs. Th.J. van der Raadt, chairman
prof. Th.J. Mulder
J.A. Vunderink
ir. P. Smits

Information for

Listing

The shares of Unit 4 Agresso are listed at the Euronext Stock Exchange Amsterdam. The Unit 4 Agresso share will be part of the Amsterdam Small Cap Index (AScX), that will be introduced on 2 March 2005. This index will consist of the 25 most traded small caps. The AScX is a natural extension of the successful AEX index, which is made up of the 25 most traded Blue Chips in Amsterdam, and the Amsterdam Midcap index, which also hosts 25 equities. The AScX is expected to stimulate the negotiability of the funds accepted into this index.

At year-end 2004 Unit 4 Agresso had 25,707,133 shares issued with a nominal value of 5,0 euro cents and the market capitalisation amounted to approximately € 300 million.

Symbols

The symbols used most often for Unit 4 Agresso are:

Euronext:	NL000003830896
Reuters:	UNI4.AS
Bloomberg:	U4AGR NA.

Dividends

The organisation's goal in the (medium to) long term is to pay out profit in the form of dividends. A strong solvency, sufficient resistance and sufficient freely available funds to finance further growth are essential in this, especially at a time when the capital market is still insufficiently accessible. Taking this into account, the Board of Directors has decided, with the approval of the Supervisory Board, to add the profit to the retained earnings. This is in accordance with the powers of decision under the articles of association of the organisation's Board of Directors.

Financial agenda

22 February 2005:	publication annual results 2004, Amsterdam
11 May 2005:	General Meeting of Shareholders, Stationspark 200, Slidrecht, the Netherlands
19 August 2005:	publication half-yearly results 2005, Amsterdam
28 February 2006:	publication annual results 2005, Amsterdam

The above dates are subject to reservation.

More information

The website www.unit4agresso.com contains the most recent financial and other information, such as press releases, half-yearly results and presentations for analysts regarding the publication of results. The information from this and previous annual reports can be consulted and downloaded.

shareholders

Unit 4 AccountAnalyser

A vibrant illustration of a clownfish swimming in a blue aquarium. The fish is orange with white stripes and a white face. The background is a deep blue with wavy lines representing water. The text 'crysta' is written in a large, white, outlined font, and 'Crystal clear financial a' is written in a smaller, blue, outlined font below it.

crysta
Crystal clear financial a

Unit 4 AccountAnalyser

Crystal clear financial auditing

'Automated auditing' sounds good. But until recently there were many difficulties in the automated auditing of financial administrations. It required a great deal of (familiarisation) time, technical knowledge and experience. If automated auditing is 'fishing in troubled waters' then the costs do not counterbalance the savings. That is different with **Unit 4 AccountAnalyser** from Unit 4 Agresso. This is the first accountant-friendly automated auditing software on the market.

Unit 4 AccountAnalyser is the solution for quick, easy and cost-effective auditing. The auditing software is suitable for small and large clients. This application contains ready-to-use links with most contemporary financial systems and combines a substantial productivity increase with a higher reliability of the figures. The savings in hours can amount to up to 50%. The uniform audits and the many advanced standard analyses guarantee the quality of the figures. That puts 'automated auditing' into a totally new light.

Unit 4 AccountAnalyser is not only suitable for the performance of auditing assignments. For the preparation of interim reports or annual accounts, accountants audit the figures in the financial administration of their clients. The automated modules of **Unit 4 AccountAnalyser** then also offer higher productivity, quality and reliability of the data, without additional costs. In addition, the various standard analyses offer valuable support for business advice, due diligence, business processes, and purchasing and client management.

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auditing

Crystal clear financial auditing

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Crystal clear financial auditing

Crystal clear financial auditing

Crystal clear financial auditing

Financial Statements

Consolidated balance sheet as at 31 December 2004
(after proposed appropriation of profit)

Assets (in € x 1,000)

	Note	31-12-2004	31-12-2003
Fixed assets			
Intangible fixed assets	1	72,102	40,146
Tangible fixed assets	2	6,913	5,761
Financial fixed assets	3		
Participating interests and other investments		243	3
Deferred corporate tax assets		6,235	4,675
Other receivables		4,746	6,911
		11,224	11,589
Current assets			
Stocks	4	6,816	5,616
Receivables			
Trade debtors		66,853	45,047
Taxes and social security premiums		9	79
Other debtors, prepayments and accrued income	5	18,315	13,521
		85,177	58,647
Cash at bank and in hand	6	27,260	30,284
Total		209,492	152,043

Equity and liabilities (in € x 1,000)

	Note	31-12-2004	31-12-2003
Group equity	7	87,938	73,958
Provisions	8	1,100	1,166
Long-term debts	9	9,436	7,970
Short-term liabilities			
Deferred income	10	19,788	13,828
Short-term part of long-term debts		0	1,361
Banks		12,087	4,863
Trade creditors		30,490	16,203
Taxes and social security premiums	11	19,892	12,124
Other liabilities, accruals and deferred income	12	28,761	20,570
		111,018	68,949
Total		209,492	152,043

Consolidated profit and loss account for 2004

(in € x 1,000)

	Note	2004	2003
Net revenues	13	275,965	219,089
Cost of sales	14	103,131	73,675
Wages and salaries		81,438	71,047
Social security charges	15	20,333	15,736
Other personnel costs	16	11,838	9,331
Depreciation on intangible and tangible fixed assets	17	14,623	9,527
Other operating expenses	18	24,705	21,093
Total operating expenses		256,068	200,409
Financial income and charges	19	318	604
Profit on ordinary operations before taxes		20,215	19,284
Taxes	20	9,099	6,470
Net profit		11,116	12,814
Net profit before amortisation goodwill		19,976	16,692
Earnings per share			
Average		0.43	0.51
Fully diluted		0.43	0.50
Earnings per share before amortisation goodwill			
Average		0.78	0.66
Fully diluted		0.78	0.66
Number of shares			
Average		25,573,107	25,291,905
Fully diluted		25,762,736	25,400,795

Consolidated cash flow statement for 2004

(in € x 1,000)

	2004	2003
Cash flow from operational activities		
Operating result (before amortisation goodwill)	28,756	22,558
Amendments for:		
Depreciation (excluding amortisation goodwill)	5,763	5,736
Changes in provisions	-66	0
Changes in operating capital	11,000	1,600
Cash flow from business operations	45,453	29,894
Received and paid interest	318	604
Taxes	-3,481	-6,470
Cash flow from operational activities	42,290	24,028
Cash flow from investment activities		
Investments in intangible fixed assets	-39,290	-13,569
Acquisition of group companies	-13,192	1,095
Acquisition of other interests	-167	215
Change in long-term receivables	2,606	-1,866
Divestments of group companies	0	-26
Investments in tangible fixed assets	-2,649	-1,958
Cash flow from investment activities	-52,692	-16,109
Cash flow from financing activities		
Issued shares	2,798	1,263
Change in long-term debts	230	-1,951
Cash flow from financing activities	3,028	-688
Net cash flow	-7,374	7,231
Cash at bank and in hand as at 1 January	30,284	22,160
Currency and translation differences	40	-1,740
Cash at bank and in hand of the new consolidations	4,310	2,633
Cash at bank and in hand as at 31 December	27,260	30,284

Consolidation principles

The consolidation includes the financial data of Unit 4 Agresso N.V. and its direct and indirect group companies. As group companies are considered those companies where the group has a decisive influence. Results of participation interests are incorporated in the consolidation from the date of acquisition of decisive influence or establishment.

Group companies	Statutory Seat	Interest (direct or indirect)
Unit 4 Agresso Business Software Holding B.V.	Sliedrecht, the Netherlands	100%
Unit 4 Agresso Business Software Benelux B.V.	Sliedrecht, the Netherlands	100%
Decade Financial Software B.V.	Oosterhout, the Netherlands	100%
Unit 4 Agresso Enterprise Solutions B.V.	Houten, the Netherlands	100%
Unit 4 Agresso Accountancy B.V.	Veenendaal, the Netherlands	100%
Unit 4 Agresso Oost-Nederland B.V.	Hengelo, the Netherlands	100%
Unit 4 Agresso Software B.V.	Sliedrecht, the Netherlands	100%
Unit 4 Agresso Belgium N.V.	Antwerp, Belgium	100%
Unit 4 Agresso R&D Holding B.V.	Sliedrecht, the Netherlands	100%
Agresso R&D AS	Oslo, Norway	100%
Agresso AS	Oslo, Norway	100%
Agresso A/S	Copenhagen, Denmark	100%
Agresso AB	Stockholm, Sweden	100%
Agresso Services AB	Stockholm, Sweden	100%
Agresso Ltd.	Bristol, United Kingdom	100%
Gestión de Servicios Integrales y Sistemas de Información S.L.	Sabadell, Spain	100%
Agresso Spain S.L.	Granada, Spain	100%
Agresso GmbH	Munich, Germany	100%
Agresso Travel Industry Solutions Ltd.	Bristol, United Kingdom	100%
Agresso France SA	Paris, France	100%
Agresso Holdings Inc.	Victoria (BC), Canada	100%*
Agresso Americas Inc.	Massachusetts, USA	100%
Agresso Corp.	Alberta, Canada	100%
Agresso Travel Industry Solutions Inc.	Texas, USA	100%
Agresso Travel Industry Solutions Ltd.	Victoria (BC), Canada	100%
Unit 4 Agresso Holding Internet & Security B.V.	Sliedrecht, the Netherlands	100%
NOXS B.V.	The Hague, the Netherlands	100%
Compusec N.V.	Brussels, Belgium	100%
Amend B.V.	Capelle a/d IJssel, the Netherlands	100%
Unit 4 Security Solutions B.V.	Sliedrecht, the Netherlands	100%
Netpoint N.V.	Ghent, Belgium	100%
Impakt N.V.	Ghent, Belgium	100%
NOXS Belgium N.V.	Brussels, Belgium	100%
Amercom B.V.	Amersfoort, the Netherlands	100%
NOXS Germany GmbH	Munich, Germany	100%
NOXS Austria IT Distribution GmbH	Salzburg, Austria	100%
Priority Data Holdings Ltd.	Dublin, Ireland	100%
NOXS Ireland Ltd.	Dublin, Ireland	100%
Unit 4 Agresso Security Solutions Ireland Ltd.	Dublin, Ireland	100%
Unit 4 Security Solutions UK Ltd.	London, United Kingdom	100%
Priority Data Ltd.	Dublin, Ireland	100%
NOXS Europe B.V.	Sliedrecht, the Netherlands	100%
Risc B.V.	IJsselstein, the Netherlands	100%
Risc Technology SRL	Milan, Italy	100%
Risc Technology Ltd.	Berkshire, United Kingdom	100%
Risc Technology Belgium N.V.	Brussels, Belgium	100%
Risc Technology France SA	Gennevilliers, France	100%
Risc Technology Germany GmbH	Ludwigsburg, Germany	100%

* As of balance sheet date not all the shares of Agresso Holdings Inc. had been legally transferred yet to Unit 4 Agresso N.V. The economic ownership is fully in hands of Unit 4 Agresso N.V.

Guarantee statement

Unit 4 Agresso N.V. has issued statements in accordance with the provisions in Section 403 Book 2 Part 9 of the Netherlands Civil Code with respect to the aforementioned (intermediate) Dutch holding company and operating companies. These companies are therefore exempted from the regulations to the presentation and publication of the financial statements.

Foreign currency

All monetary assets and liabilities in foreign currencies are translated against the exchange rates at the balance sheet date. Transactions in foreign currency are included against the applicable exchange rates on the date of the transaction. Currency translation differences over the year are charged directly to the result. Currency translation differences resulting from foreign participations are charged directly to the legal reserves.

The year-end exchange rates used are:

	2004	2003
compared with € 1		
Canadian dollar (CAD)	1.6500	1.6420
Danish krone (DKK)	7.4420	7.4450
Norwegian krone (NOK)	8.3000	8.4200
Pound Sterling (GBP)	0.7078	0.7030
US dollar (USD)	1.3625	1.2504
Swedish krone (SEK)	8.9600	9.0800

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The average exchange rates used are:

	2004	2003
compared with € 1		
Canadian dollar (CAD)	1.6165	1.5855
Danish krone (DKK)	7.4420	7.4308
Norwegian krone (NOK)	8.3782	8.0042
Pound Sterling (GBP)	0.6793	0.6901
US dollar (USD)	1.2409	1.1309
Swedish krone (SEK)	9.1282	9.1249

Financial instruments and risks

Currency risks

The annual accounts of Unit 4 Agresso are in euros. The Unit 4 Agresso group is active with subsidiaries throughout Europe and is also represented in the United States and Canada. Therefore the group is subject to exchange rate differences between reporting currency and the different functional currencies, that exist of the currencies in the economic regions where the subsidiaries operate. A substantial part of the results of Unit 4 Agresso is realised in non-euro countries, especially in Norway, Sweden and the United Kingdom. Unit 4 Agresso uses, when considered necessary, financial instruments like different forms of options and forward contracts, to secure its results as much as possible.

Interest rate risks

Unit 4 Agresso has limited exposure to interest rate risks because it has nearly no long-term agreements with third parties which include an interest fee. The funding of the group is monitored and managed on consolidated level by means of which interest rate agreements concerning subsidiaries in the different countries are centralised as much as possible.

Credit risks

Unit 4 Agresso assesses the creditworthiness of its clients and customers, both with new clients and on a continuous basis if deemed necessary. In specific cases advice is obtained from credit agencies.

There are no financial instruments held for speculative purposes.

Conversion to International Financial Reporting Standards (IFRS)

In accordance with EU-regulations all listed companies in the European Union are obliged to apply the International Financial Reporting Standards of the International Accounting Standards Board (IASB) to their annual accounts as from 1 January 2005. Unit 4 Agresso is in an advanced phase with the conversion to these reporting standards. The effects on the financial position and results of Unit 4 Agresso are disclosed in this report on page 34.

Valuation principles for assets and liabilities

General

The principles for valuation of assets and liabilities and for determining the result have not changed in relation to last year. Unless stated otherwise valuation is at nominal value.

Change in presentation

Due to improved insight into the corporate tax position, the presentation of this balance sheet item has been modified. Contrary to last year the corporate tax is not reported balanced. This makes it possible to gain a better insight into the different assets and liabilities. The comparative figures were modified to this purpose. Consequently, the Key figures overview in the annual report was changed marginally for 2003. Reported figures prior to 2003 were not changed.

In the 2003 annual accounts a total corporate tax balance of € 44,669 was incorporated in the short-term liabilities. In the 2004 annual accounts this item is split into different balance sheet items as per 31 December 2003.

Breakdown corporate tax as per 31 December 2003 (in € x 1,000)

Financial fixed assets: Deferred corporate tax assets	4,675
Receivables: Taxes and social security premiums	79
Provisions: Deferred corporate tax obligations	-1,166
Short-term liabilities: Taxes and social security premiums	-3,633
	-45

Intangibles

Goodwill

Goodwill paid to third parties is capitalised and amortised in a straight line from the result based on the estimated economic life, in principle 10 years.

Goodwill is valued at purchase price less cumulative depreciations and possible write-down to lower realisable value. The purchase price is being set at the amount that has been agreed with or the fair value on the date of investment of another asset increased with costs that are directly accountable to the takeover.

Goodwill that affects participations with another functional currency than the euro is converted against closing rate at balance sheet date.

Software development costs

Costs for research and development mainly consist of personnel costs attributable to the group's research and development activities. Research costs are expensed as incurred. Software developments costs related to new products are capitalised and amortised in a straight line based on the estimated economic life, in principle 3-5 years, if the criteria for capitalising such costs are met.

Other intangible fixed assets

Customer contracts gained by Unit 4 Agresso through acquisition as well as implementation costs of internal automation projects are classified as intangible fixed assets. Customer contracts are valued at purchase price less cumulative depreciations and possible write-down to lower realisable value. Depreciation is based on the estimated economic life, in principle 3-5 years.

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Tangible fixed assets

Tangible fixed assets are valued at purchase price less straight-line depreciation, based on the estimated economic life, taking into account a possible write-down to lower realisable value.

The following annual rates apply:

Computer equipment 33 $\frac{1}{3}$ % - 50%

Other tangible fixed assets 10% - 50%

Financial fixed assets

Group companies and subsidiaries in which significant influence is exerted on financial and strategic issues are valued at net asset value. All interests in companies in which no significant influence is exerted on financial and strategic issues are valued at purchase price. The deferred corporate tax assets entered under financial fixed assets are valued at nominal value for the amount of which it is likely that fiscal profits will be available for set-off. Receivables entered under financial fixed assets are valued against nominal value and corrected for possible irrecoverability.

Stocks

Work in progress is valued at the direct hours worked and products and services purchased for the projects in progress as at the balance sheet date. Direct hours are valued at cost price based on the costs that can be attributed directly to the projects. Results are taken according to the progress of the different projects. Products and services purchased are valued at the purchase price paid. Any losses are taken to the capitalised costs when foreseeable. Costs already charged to projects are deducted from the capitalised costs of the projects.

Goods for resale are valued at cost or lower market value.

Receivables

Receivables are carried out at nominal value net of a provision for doubtful debts as considered appropriate.

Provisions

Provisions are carried at nominal value.

Principles for determination of results

Net revenues

Net revenues comprise proceeds, exclusive of sales tax, of services and products delivered to third parties during the year under review. Revenues are generated by the sales of software (or licences), the maintenance of software, services (implementation support) and other. Revenues from licences are recognised when the delivery of the software has taken place. Revenues from maintenance contracts are included in proportion to the expired contract period. Revenues from services are included in proportion to the accomplishment of the work in case of fixed prices. Revenues from services without a fixed price are recognised as soon as the work has been accomplished. Losses are recognised when foreseeable.

Cost of sales

The cost of sales concern the costs of the goods and services that can be attributed directly to the revenues realised.

Pensions

Unit 4 Agresso operates both defined contribution schemes and defined benefit schemes. The defined benefit pension schemes lead to payments based on an employee's yearly salary during his years of service and the number of service years when he reaches his retirement. Annually, as much premium is transferred to funds as is required for financing the existing obligations. The calculation of the costs relating to pension claims, is based on actuarial principles using a calculating interest of 4%. At year-end, no back service obligation exists that would have to be reflected in a provision.

Depreciation

Depreciation occurs in a straight line corresponding to the estimated economic life and is calculated on the basis of purchase price less the estimated residual value.

Taxes

Taxes are calculated on the result stated in the annual accounts based on the tax rates applicable and other tax allowances in the different countries. Differences between the valuation for book and tax purposes are shown by means of deferred taxes calculated at the appropriate tax rates. Deferred corporate taxes regarding carry forward losses are valued for the amount of which it is likely that the fiscal profits will be available for set-off.

Notes to the consolidated balance sheet

Note 1 - Intangible fixed assets (in € x 1,000)

	Goodwill	Software development costs	Other intangible fixed assets	Total 2004	Total 2003
The development can be analysed as follows:					
Book value as at 1 January	32,709	7,437	0	40,146	32,791
Acquisitions and adjustments	30,076	4,819	560	35,455	8,542
Internally manufactured	0	7,746	80	7,826	5,172
Amortisation or depreciation	-8,860	-2,507	-65	-11,432	-5,669
Currency exchange differences	17	90	0	107	-690
Book value as at 31 December	53,942	17,585	575	72,102	40,146
The composition of the intangible fixed assets at 31 December is as follows:					
Purchase prices	75,357	23,787	1,063	100,207	54,573
Accumulated amortisation	-21,415	-6,202	-488	-28,105	-14,427
Book value as at 31 December	53,942	17,585	575	72,102	40,146

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Note 2 - Tangible fixed assets (in € x 1,000)

	Computer equipment	Other tangible fixed assets	Total 2004	Total 2003
The development can be analysed as follows:				
Book value as at 1 January	2,610	3,151	5,761	7,641
Tangible fixed assets at acquired group companies	1,331	339	1,670	107
Investments	1,668	1,140	2,808	2,936
Divestments	-19	-91	-110	-659
Depreciation	-1,982	-1,269	-3,251	-3,945
Currency translation differences	20	15	35	-319
Book value as at 31 December	3,628	3,285	6,913	5,761
The composition of the tangible fixed assets at 31 December is as follows:				
Purchase prices	15,396	10,632	26,028	23,637
Accumulated depreciation	-11,768	-7,347	-19,115	-17,876
Book value as at 31 december	3,628	3,285	6,913	5,761

Note 3 - Financial fixed assets (in € x 1,000)

	Participating interests and other investments	Deferred corporate tax assets	Other receivables	Total 2004	Total 2003
The development can be analysed as follows:					
Book value as at 1 January	3	4,675	6,911	11,589	5,054
Financial fixed assets at acquired companies	73	0	0	73	0
Investments and additions	167	1,560	847	2,574	6,541
Divestments, repayments and conversions	0	0	-3,012	-3,012	-6
Book value as at 31 December	243	6,235	4,746	11,224	11,589

The entry 'Participating interests and other investments' relates to the 15% participation in Arge Consultancy B.V., Maassluis, the Netherlands and a 22% participation in a Swedish software company. The entry 'Deferred corporate tax assets' concerns carry-forward losses valued at the current corporate tax rates. Next to the aforementioned carry-forward losses exist for the amount of € 12,925,826 which partly have not been determined yet and for which no deferred tax asset is capitalised.

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The entry 'Other receivables' includes a loan (€ 3,400,000) to a former subsidiary with a remaining term of four years that will be paid off linearly and for which certainties are provided. The interest on this loan is linked to the 6-month EURIBOR plus 100 basis points with a maximum of 6%. Besides that convertible loans exist to a Dutch full service ICT company and a Swedish software organisation. The interest on these loans is linked respectively to the 12-month EURIBOR plus 100 basis points and the STIBOR (Swedish EURIBOR) plus an increase in accordance with the market rate. The convertible loan to the Dutch organisation is converted into a significant share interest in January 2005.

Note 4 - Stocks (in € x 1,000)

	2004	2003
The stock consists of:		
Work in progress	113	994
Goods for resale	6,703	4,622
	6,816	5,616

Note 5 - Other debtors, prepayments and accrued income (in € x 1,000)

	2004	2003
The other debtors, prepayments and accrued income consist of:		
Other debtors	2,635	1,185
Prepayments and accrued income	15,680	12,336
	18,315	13,521

Included in 'Other debtors' is a loan (€ 372,000) to a party connected with a key officer of Unit 4 Agresso N.V. The interest on this loan amounts to 6% on a yearly basis. Prepayments and accrued income mainly include services or deliveries to be invoiced and pre-paid costs like leasing, rental and interest costs.

Note 6 - Cash at bank and in hand

The cash at bank and in hand is at free disposal of the group.

Note 7 - Group equity

Shareholders' funds

For the composition of the shareholders' funds and the changes in the individual components see notes to the company balance sheet.

The table below provides a reconciliation of the group equity including the total result (in € x 1,000)

	2004	2003
Book value as at 1 January	73,958	62,167
Share issues	2,798	1,263
Currency and translation differences	66	-2,286
Net result	11,116	12,814
Total result	13,980	11,791
Book value as at 31 December	87,938	73,958

Note 8 - Provisions (in € x 1,000)

	2004	2003
The provisions consist of:		
Deferred corporate tax obligations	1,100	1,166
Pensions	0	0
Other provisions	0	0
	1,100	1,166

The provisions include deferred corporate tax obligations caused by differences between fiscal and economic valuations and by fiscal facilities allowing for a postponement of tax payments. To a considerable extent these provisions are of a long-term nature.

Note 9 - Long-term debts (in € x 1.000)

	2004	2003
The long-term debts consist of:		
Subordinated convertible loan	0	1,361
Short-term part	0	-1,361
	0	0
Medium-term credit	0	7,023
Other long-term debts	9,436	947
	9,436	7,970

The 'Other long-term debts' consist partly of variable (earn out) and partly of fixed liabilities to former owners of companies and assets acquired in 2003 and 2004. The obligations with a term shorter than one year are included under the short-term liabilities. No obligations exist with a term longer than five years.

Note 10 - Deferred income

This balance relates to invoiced terms of contracts for prolongation licences, maintenance and other services that are recognised as result according to the expiration of the contract terms.

Note 11 - Taxes and social security premiums (in € x 1,000)

	2004	2003
The taxes and social security charges consist of:		
Sales tax	6,537	4,049
Corporate tax	8,043	3,633
Tax on wages	2,833	2,239
Other taxes and social security charges	2,479	2,203
	19,892	12,124

Note 12 - Other liabilities, accruals and deferred income (in € x 1,000)

	2004	2003
The other liabilities, accruals and deferred income consist of:		
Other liabilities	7,169	2,872
Accruals and deferred income	21,592	17,698
	28,761	20,570

The entry 'Other liabilities' includes among other things, payment and earn-out obligations for a number of acquisitions that will be paid in 2005. The accruals and deferred income mainly include received goods and services to be invoiced. Besides that it includes reservations for holidays, holiday allowances, bonuses and provisions for employees, auditing and advisory costs to be paid.

Commitments not disclosed in the consolidated balance sheet

Banks

ING granted a credit facility worth € 17,500,000. The interest on this credit is based on the ING basic interest rate plus a conformable market rate. The Fortis bank provided a multi-purpose facility with a limit of € 20,000,000. This credit can be used in the form of a current account credit, a cash loan with a term between one month and twelve months or in the form of a guarantee. The interest on the current account credit consists of the Fortis basic interest rate plus a conformable market rate. The interest on the cash loan is based on the EURIBOR interest for a term similar to the term of the cash loan, plus an increase of 0.65%.

Rental obligations

The group has taken on rental obligations amounting to € 7,059,440 per annum (2003: € 5,692,539). In 2004 € 6,581,000 worth of rental costs were included in the profit and loss account.

Leasing obligations

The group has taken on leasing obligations for which the remaining instalments amount to € 7,179,675 (2003: € 5,913,772). The remaining terms of the leasing obligations average two years. The leasing obligations for a period of less than one year amount to € 3,343,842. The leasing obligations for a period longer than one year and shorter than five years amount to € 3,829,331. The leasing obligations for a period longer than five years amount to € 6,502.

In 2004 € 6,121,000 worth of leasing costs (including fuel costs) were included in the profit and loss account.

Securities

Securities surrendered by the group on behalf of third parties amount to € 15,500 (2003: € 12,000).

Bank guarantees

Bank guarantees amount to € 7,392,863 on balance sheet date (2003: € 8,808,695).

Financial instruments

As of balance sheet date Unit 4 Agresso N.V. has the following financial instruments outstanding at ING:

- Two currency swaps with an original value of 6.5 million British pounds with the objective to temporarily convert British pounds to euros. The remaining term of these transactions is approximately 8 months as of balance sheet date.
- A forward contract with an original value of € 6.8 million with the objective to convert euros to British pounds in term. The remaining term of this transaction is approximately 3 months as of balance sheet date.

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Guarantee statement

Unit 4 Agresso N.V. has issued statements in accordance with the provisions in Section 403 Book 2 Part 9 of the Netherlands Civil Code with respect to the aforementioned Dutch companies. These companies are therefore exempted from the regulations to the presentation and publication of the financial statements.

Legal procedures

Relating to the business activities of the group, the company is involved in a number of legal procedures. In the opinion of the Board of Directors, this will be of no significant influence on the group's financial position.

Option scheme employees

Year granted	Exercise period up to and including	Initial number of options	Exercised until 2003	Exercised in 2004	Average exercise price (€)
1999	Nov. 2004	244,400	13,000	126,000	10.98
2000	Oct. 2005	382,500	-	-	24.58
2002	Dec. 2006	70,152	-	-	12.16
2002	Dec. 2006	76,652	-	-	12.16
2002	Dec. 2006	73,402	-	-	12.16
2003	Feb. 2008	370,000	66,412	10,000	4.00

As a result of the share split in 2001, the number of outstanding options is adjusted accordingly. One option gives a right to one share. Options can be exercised immediately within the option period. The underlying shares can be subject to limitations regarding the sale (Lock-up). The exercise of options is dependent on the exercise price and the term of the option. On the award of options to employees no financing agreement was agreed upon. The average exercise price for the 2004 exercised options was € 10.18 at an average share price of € 11.14. The number of ordinary shares will increase with 896,294 shares if the 2004 year-end outstanding option rights would be exercised completely. No shares are purchased to cover this exercise.

Notes to the consolidated profit and loss account

Note 13 - Net revenues (in € x 1,000)

	2004	2003
Business Software		
Licences	41,125	39,715
Maintenance	59,030	45,809
Services and others	56,619	51,361
	156,774	136,885
Internet & Security		
Licences	99,068	68,869
Services and others	20,123	13,335
	119,191	82,204
Total		
Licences	140,193	108,584
Maintenance	59,030	45,809
Services and others	76,742	64,696
	275,965	219,089
The turnover is realised in the following areas:		
The Netherlands	81,255	70,722
Other countries inside the EU	173,019	124,398
Other countries outside the EU	21,691	23,969
	275,965	219,089

The turnover shows a seasonal pattern.

Note 14 - Cost of sales (in € x 1,000)

	2004	2003
Licences	84,114	59,241
Maintenance	2,472	1,184
Services and others	16,545	13,250
	103,131	73,675

Note 15 - Social security charges

The social security charges include pension premiums for the amount of € 4,518,000 (2003: € 4,084,000).

Note 16 - Other personnel costs (in € x 1,000)

	2004	2003
The other personnel costs include:		
Contracted personnel	3,576	2,266
Other	8,262	7,065
	11,838	9,331

Number of employees

	Year-end 2004	Average 2004	Year-end 2003	Average 2003
Sales & Marketing	288	308	246	253
Consultancy	471	440	373	379
Research & Development	383	377	313	302
Support	296	254	231	224
Other	367	298	253	252
	1,805	1,677	1,416	1,410

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Remuneration of Directors and Commissioners

Remuneration of the Board of Directors (in € x 1,000)

	Salary	Performance related payments	Pension	Total
C. Ouwinga	319	160	28	507
E.T.S. van Leeuwen	209	104	35	348
H.P. De Smedt	209	94	35	338
	737	358	98	1,193

Remuneration of members of the Supervisory Board (in € x 1,000)

	Total
Th.J. van der Raadt	27
Th.J. Mulder	18
J. Vunderink	18
P. Smits	18
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Stock options in the company held by the Board of Directors:

	Options balance at 1 Jan. 2004	Options issued in 2004	Exercise price €	Exercised	Date in 2004	Share price €	Options balance at 31 Dec. 2004
C. Ouwinga	200,000	-	4.00	-	-	-	200,000
E.T.S. van Leeuwen	20,000*	-	10.98	20,000	17 Nov.	11.48	-
	15,000	-	4.00	-	-	-	15,000
H.P. De Smedt	20,000*	-	10.98	20,000	17 Nov.	11.48	-
	40,000	-	4.00	-	-	-	40,000
Total	295,000			40,000			255,000

* The original number of options was 10,000 per option contract at an exercise price of € 21.95. Because of the share split in 2001, this number was changed into 20,000 per option contract at an exercise price of € 10.98.

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No options were issued to the members of the Supervisory Board of the company.

Share interests and voting rights in the company held by members of the Board of Directors and members of the Supervisory Board:

	Shares held in the company 31 December	Voting rights in the company 31 December
C. Ouwinga	1,637,093	6.368%
E.T.S. van Leeuwen	-	0.000%
H.P. De Smedt	100,000	0.389%
Total members of the Board of Directors	1,737,093	6.757%
Th.J. van der Raadt	-	0.000%
Th.J. Mulder	-	0.000%
J. Vunderink	-	0.000%
P. Smits	-	0.000%
Total members of the Supervisory Board	-	0.000%
Total	1,737,093	6.757%

Note 17 - Depreciation on intangible and tangible fixed assets (in € x 1,000)

	2004	2003
Depreciation on intangible and tangible fixed assets consists of:		
Amortisation goodwill	8,860	3,878
Depreciation software development costs	2,507	1,791
Depreciation other intangible fixed assets	65	0
Depreciation tangible fixed assets	3,251	3,945
Book profit on sold tangible fixed assets	-60	-87
	14,623	9,527

The amortisation of goodwill over 2004 includes an impairment of € 2,400,000. The impairment was determined by means of financial prognoses founded on historical and recent developments of the result and a current estimate by the management of the market expectations for the coming 9 years. From this forecast the expected cash flows were derived, which were discounted using a current discount rate specific to Unit 4 Agresso.

Note 18 - Other operating expenses (in € x 1,000)

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	2004	2003
The other operating expenses consist of:		
Selling costs	4,902	3,408
Accommodation costs	8,346	7,898
Financial and advisory costs	2,679	2,632
Other operating expenses	8,778	7,155
	24,705	21,093

Note 19 - Financial income and charges (in € x 1,000)

	2004	2003
The financial income and charges consist of:		
Interest charges	-4,327	-2,526
Interest income	4,257	2,703
Other financial income and charges	388	427
	318	604

Note 20 - Taxes

The following table provides the reconciliation of taxes calculated at the rates applicable in 2004 in the different countries the group operates in and tax charges in the profit and loss account.

Reconciliation of profit before tax and tax costs (in € x 1,000)

Profit before tax	20,215	
Calculated tax charge at nominal rate	6,136	30.4%
Non-tax deductible costs	2,812	13.9%
Amendment previous years	151	0.7%
Tax costs this year	9,099	45.0%

Research and development

The research and development costs charged to the result in the past few years, divided into capitalised part and part included in the personnel costs

(in € x 1,000):

Year	Development costs	Capitalised	Included under personnel costs
2000	12,596	0	12,596
2001	21,531	0	21,531
2002	22,435	4,742	17,693
2003	21,740	5,172	16,568
2004	23,678	7,746	15,932

Related parties

During the financial year the following transactions took place with parties related to Unit 4 Agresso:

- The loan outstanding per 31 December 2003 issued to Mr H.P. De Smedt was paid off in the financial year.
- Part of the loans outstanding per 31 December 2003 issued to Escador Riverland S.L. in Spain was converted into a share interest at the beginning of 2004.
- During the financial year additional financing was supplied to strengthen the working capital of a Dutch ICT-organisation in which a financial interest already existed as per 31 December 2003.
- The part contractually agreed upon of the loan outstanding per 31 December 2003 issued to a former group company was paid off in the financial year.
- At the end of 2004 an interest of 22% was acquired in a Swedish software company and a convertible loan was granted.
- In the financial year the shares of Amend B.V. in Capelle a/d IJssel, the Netherlands, were acquired. A member of Unit 4 Agresso's Supervisory Board, who was a member of the Board of Directors of the selling party at that time, was involved in this transaction.

Notes to the consolidated cash flow statement

The cash flow statement has been prepared according to the indirect method. The cost price of all companies acquired has been listed under cash flow from investment activities, after the deduction of available cash. The changes in assets and liabilities caused by new consolidations have been removed from the concerning cash flow items and were then incorporated into the cash flow for investment activities listed under investments in intangible fixed assets.

Company balance sheet as at 31 December 2004
(after proposed appropriation of profit)

Assets (in € x 1,000)

	31-12-2004	31-12-2003
Fixed assets		
Intangible fixed assets	14,538	19,932
Tangible fixed assets	15	15
Financial fixed assets		
Interests in group companies	69,018	52,046
Participating interests and other investments	3	3
Other receivables	1,123	1,189
	70,144	53,238
Current assets		
Trade debtors	429	130
Receivables on participating interests and other investments	6,790	0
Other receivables, prepayments and accrued income	2,988	1,725
	10,207	1,855
Cash at bank and in hand	12,108	46,799
Total	107,012	121,839

Equity and liabilities (in € x 1,000)

	31-12-2004	31-12-2003
Equity		
Capital paid up and called up	1,285	1,271
Share premium reserve	251,557	248,773
Legal reserves	16,728	6,514
Other reserves	-181,632	-182,600
	87,938	73,958
Long-term debts	0	7,023
Short-term liabilities		
Short-term part of long-term debts	0	1,361
Banks	9,989	2,972
Trade creditors	554	675
Payables to group companies	0	32,771
Taxes and social security premiums	4,866	884
Other liabilities, accruals and deferred income	3,665	2,195
	19,074	40,858
Total	107,012	121,839

Company profit and loss account for 2004

(in € x 1,000)

	2004	2003
Company result after taxes	-5,790	-3,834
Result group companies after taxes	16,906	16,648
	11,116	12,814

Notes to the company balance sheet

General

Unless stated otherwise the accounting principles referred to in respect of the consolidated financial statements also apply to the company's financial statements.

Intangible fixed assets (in € x 1,000)

	2004	2003
The development can be analysed as follows:		
Book value as at 1 January	19,932	22,008
Acquisitions and adjustments to goodwill	13	688
Amortisation	-5,407	-2,764
Book value as at 31 December	14,538	19,932
The composition of the intangible fixed assets at 31 December:		
Purchase prices	29,719	29,706
Accumulated amortisation	-15,181	-9,774
Book value as at 31 December	14,538	19,932

Tangible fixed assets (in € x 1,000)

	Computer equipment	Other tangible fixed assets	Total 2004	Total 2003
The development can be analysed as follows:				
Book value as at 1 January	6	9	15	51
Investments	8	0	8	5
Divestments	0	0	0	0
Depreciation	-5	-3	-8	-41
Book value as at 31 December	9	6	15	15
The composition of the tangible fixed assets at 31 December:				
Purchase prices	101	13	114	106
Accumulated depreciation	-92	-7	-99	-91
Book value as at 31 December	9	6	15	15

Financial fixed assets (in € x 1,000)

	Interests in group companies	Participating interests and other investments	Other receivables	Total 2004	Total 2003
The development can be analysed as follows:					
Book value as at 1 January	52,046	3	1,189	53,238	61,137
Acquisitions of companies and other interests	0	0	624	624	53
Divested companies and other interests	0	0	0	0	-6
Changes in presentation from short to long-term	0	0	-690	-690	691
Amendments valuation participations	0	0	0	0	-1,299
Currency and translation differences	66	0	0	66	-2,286
Result subsidiaries	16,906	0	0	16,906	16,648
Dividend from subsidiaries	0	0	0	0	-21,700
Book value as at 31 December	69,018	3	1,123	70,144	53,238

Other receivables, prepayments and accrued income (in € x 1,000)

	2004	2003
The other receivables, prepayments and accrued income consist of:		
Other receivables	2,524	1,002
Prepayments and accrued income	464	723
	2,988	1,725

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Equity (in € x 1,000)

	Paid and called-up share capital	Share premium reserve	Legal reserves	Other reserves	Total 2004	Total 2003
The development can be analysed as follows:						
Balance as at 1 January	1,271	248,773	6,514	-182,600	73,958	62,167
Share issues	14	2,784	0	0	2,798	1,263
Currency and translation differences	0	0	66	0	66	-2,286
Capitalised development costs group companies	0	0	10,148	-10,148	0	0
Net result	0	0	0	11,116	11,116	12,814
Balance at 31 December	1,285	251,557	16,728	-181,632	87,938	73,958

The legal reserves contain currency translation differences on foreign participations (€ -857,000) and capitalised development costs (€ 17,585,000).

Authorised share capital

The authorised share capital amounts to 40,000,000 ordinary shares and 40,000,000 preference shares, both with a nominal value of 5.0 euro cents.

Issued and paid up capital

As of the balance sheet date, 25,707,133 ordinary shares of 5.0 euro cents have been issued and paid up. The change in issued and paid up capital is as follows:

	Number of shares	Total 2004 in €	Total 2003 in €
Balance as at 1 January	25,427,700	1,271,352	1,245,652
Plus: share issues concerning instalments of long-term debts	143,433	7,205	7,558
Plus: share issue acquisitions	0	0	14,822
Plus: share issue exercised options	136,000	6,800	3,320
Balance as at 31 December	25,707,133	1,285,357	1,271,352

With respect to option rights and shares to be issued, we refer to the information listed in commitments not shown in the balance sheet.

Other liabilities, accruals and deferred income

The entry 'Other liabilities, accruals and deferred income' includes among other things, payment obligations for recent acquisitions that will be paid in 2005, reservations for holidays, holiday allowances, bonuses and provisions for employees and auditing and advisory costs.

Notes to the company profit and loss account

Abridged form company profit and loss account

As permitted under Section 402 Book 2 Part 9 of the Netherlands Civil Code, the profit and loss account of Unit 4 Agresso N.V. is presented in abridged form.

Slidrecht, 21 February 2005

Board of Directors

C. Ouwinga
drs. E.T.S. van Leeuwen RA
drs. H.P. De Smedt

Supervisory Board

drs. Th.J. van der Raadt
prof. Th.J. Mulder
J.A. Vunderink
ir. P. Smits

Other information

Auditors' report

Introduction

We have audited the 2004 financial statements of Unit 4 Agresso N.V. at Sliedrecht. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. These standards require that our audit is planned and performed in such a way that a reasonable assurance is obtained about whether the financial statements are free of material misstatement. An audit includes among other things, an examination on a test basis, of information supporting the amounts in and notes to the financial statements. An audit also includes an assessment of the accounting principles used and of significant estimates made by the management, as well as an evaluation of the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Rotterdam, 21 February 2005
Ernst & Young Accountants

Post balance sheet events

In January 2005 a share interest of approximately 81% was obtained in a Dutch ICT-organisation by means of converting part of the loans outstanding per 31 December 2004. For the remaining shares (approximately 19%) an earn-out payment was arranged with the existing management. The organisation is specialised in ICT projects, user management and managed services and thus offers an expansion of Unit 4 Agresso's activities in this segment in the Netherlands.

Regulations in the articles of association concerning the appropriation of result

In accordance with article 28.4 of the Articles of Association the result is at the free disposal of the General Meeting of Shareholders. It should be mentioned here that, in compliance with Article 28 and with the approval of the Supervisory Board, the management is empowered to reserve all or some of the profit remaining after deducting the rights due to holders of preference shares.

Proposed appropriation of the net profit 2004

It is proposed to add the net profit for 2004 to the retained earnings. In anticipation of the decision of the General Meeting of Shareholders this proposal is already incorporated in the financial statements.

Stichting Continuïteit Unit 4

The objective of the Stichting Continuïteit Unit 4, seated in Sliedrecht, is to protect the interests of the group in such a way that the interest of the group, its subsidiaries and all parties involved will be safeguarded in the best possible way and that influences that might affect the independence and/or continuity and/or identity of the aforementioned companies are kept off, as well as performing all tasks related to or beneficial to the foregoing.

The foundation could attain its objective by acquiring preference shares in the capital of the company and by exerting all rights connected with these preference shares.

The Management of the foundation is formed by:

J. Thierry (chairman), A. Offers, Th.J. van der Raadt, R.D. Vriesendorp, J. Ekelmans.

In this composition the foundation has sufficient independence in order to obtain the aforementioned objectives.



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The clear overview of the experts

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Information security is becoming more and more complex. Not only is the number of types of threat increasing, but also the number of products and technologies for avoiding and removing them. Furthermore, new threats and solutions follow each other in increasingly high tempo. Keeping knowledge and security software and hardware up-to-date is becoming such a time-consuming and costly process that outsourcing is becoming more attractive all the time. The most attractive form of outsourcing is security at a distance, via on-line security management. By so doing, the IT manager of the client can again focus completely on his core tasks.

Unit 4 Agresso has security experts who permanently investigate the best security products for the best applications. They have a clear overview, they know which products perform best in which operating environment. And they know the best scenarios for implementation and maintenance. With on-line security management **4Sure.IT**, one of the subsidiary companies of Unit 4 Agresso, takes over all the client's worries in the area of IT security. Whether it concerns antivirus protection, various sorts of firewalls, e-mail security, internet filters or authentication.

4Sure.IT manages the security for tens of thousands of clients in Europe. The security focuses on desktops, laptops, central computer files, mail traffic and internet use. Detailed management reports provide insight into the data traffic and the virus activity. In this way, **4Sure.IT** translates complex IT-security into a transparent solution for its clients. This applies to large businesses which are seeking more efficiency in their IT policy, and equally to businesses which are just starting up and for whom network or desktop security is also a necessity.



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