

Xactly Corporation Reports Record Growth for the First Half 2006

Businesses Continue to Discard Legacy Spreadsheet-Based Systems in favor of Automated On-Demand Sales Compensation

SAN JOSE, Calif. – July 18, 2006 – Xactly™ Corporation, (www.xactlycorp.com), the leader in automated on-demand sales compensation management, today reported record first half 2006 growth as businesses of all sizes are recognizing the limitations inherent to the use of spreadsheets for managing sales compensation.

“We are seeing unbridled demand for our automated, on-demand sales compensation applications from public and private companies, including small and medium-sized businesses as well as enterprise-class organizations,” said Christopher W. Cabrera, Xactly founder, president and CEO. “Prior to the advent of Xactly Incent, these businesses were starving for a cost-effective way to automate sales compensation. The only available option was to purchase expensive on-premise solutions, or fall back to spreadsheets, which are notorious for their error rates and ineffective for complying with Sarbanes-Oxley regulations. Xactly is providing the marketplace with a clearly differentiated choice and the response has been nothing short of overwhelmingly positive.”

Xactly is the first and only company completely focused on delivering a 100% on-demand sales compensation management solution. It is also the first and only company to deliver a true multi-tenant solution in a SAS 70, Type II certified environment.

“On-demand sales compensation management can fundamentally change the behavior of sales reps, creating a win-win for both reps and the companies they work for who want to encourage sales people to sell more of their most profitable products,” said Laurie McCabe, vice president SMB insights and solutions, AMI-Partners. “Xactly’s sales compensation management solution is growing because it gives companies a quick, visible and significant return on their investment.”

Following are some of the key highlights behind Xactly’s first half 2006 performance:

- **Increasing Bookings Revenue and Subscription Seat Counts:** First half bookings revenue increased 154% and 174% (quarter over quarter) in Q1 and Q2 respectively, while subscriber seat counts increased 140% and 207% (quarter over quarter) in Q1 and Q2 respectively.
- **Key Customer Wins:** During the first half Xactly successfully penetrated world-class companies with subscriber counts from 50 to more than 1000, adding more than two dozen new customers including Informatica Corporation (NASDAQ: INFA), salesforce.com (NYSE: CRM), Good Technology and Epicor Software (NASDAQ: EPIC) demonstrating that marketplace acceptance for automated on-demand sales compensation is going mainstream.
- **Second Major Release in Nine Months:** The Spring '06 Xactly Incent release on May 24 represented Xactly’s second major release of Xactly Incent in less than nine months underscoring the company’s ability to rapidly bring products to market and to respond to customer-driven product feature requests.
- **Technological Leadership and Innovation:** In addition to being the first and only 100% pure multi-tenant offering, Xactly continued to advance its technological leadership through innovation during the first half 2006. The company filed patents for proprietary technologies including the Xactly Incentive Estimator™ which provides companies with the ability to run “what-if” scenarios based on opportunities or estimated sales to calculate potential commission and bonus estimates and payments before, during and after a sale. Additionally, the company filed patents for Xactly Document Management™, the world’s first workflow-based online document approval process fully integrated within a sales compen-

sation application.

- **CRM Integration with Salesforce.com:** Also on May 24, Xactly delivered Xactly Incent for salesforce.com's (NYSE: CRM) AppExchange, the world's first on-demand application platform. According to salesforce.com's own second quarter 2006 research, sales commissions was the number two most requested application on AppExchange with 30% of the sales respondents selecting on-demand commissions management as of interest to them in the next 12 to 18 months. Xactly now has access and provides immediate value to many of salesforce.com's approximately 22,000 customers and approximately 444,000 paying subscribers. Built on the AppExchange on-demand platform, Xactly Incent for AppExchange is available at www.appexchange.com.
- **Strategic Partnerships:** During the first half, Xactly announced five strategic partnerships including MW Advisors, Compensation Technologies, Iconixx, Computer Market Research and The Core Resource Group enabling the company to provide a comprehensive ecosystem of sales compensation implementation, incentive planning, values and best practices. Notably, MW Advisors is one of salesforce.com's largest implementation partners and has selected Xactly as their only Strategic Partner for compensation automation.

About Xactly Corporation

Xactly Corporation delivers automated on-demand sales compensation applications that enable companies to incent right and sell more. In today's spreadsheet paradigm, companies tend to simplify or unnecessarily complicate their incentive programs. These programs, delivered with no real-time visibility, often leave the sales force unmotivated, resulting in unpredictable results. Xactly Incent™ allows companies to easily and affordably design, implement, manage and audit optimized incentive programs. With these improved programs in place, Xactly Incent provides sales with unprecedented real-time visibility via the web. The combination of the right incentives with complete visibility motivates sales to sell more. For more information, visit www.xactlycorp.com or call 1-866-GO-XACTLY.

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