013

Half-yearly report 2013

technology that matters

Contents

nedap
technology that matters

The revenue of the N.V. Nederlandsche Apparatenfabriek "Nedap" for the 1st half-year 2013 at € 82.0 million, was almost identical to the very good 1st half-year 2012 (€ 83.7 million). The added value at € 57.2 million was also virtually the same (1st half-year 2012: € 56.5 million). The profit after tax - due to the composition of revenue and further investment in innovation and in the marketing and sales organisation - showed a decline from € 6.6 million to € 5.1 million, and thus amounted to 6.2% of revenue (1st half-year 2012: 7.9%).

In the 1st half-year 2013, the market groups AVI, Energy Systems, Healthcare, and Retail achieved higher revenue than in the same period of 2012. In addition to the expected drop in Library Solutions, revenue of the market groups Livestock Management (formally Agri) and Light Controls were also flat. Only the revenue of the market group Security Management remained at more or less the same level. In light of the level of activities within the Nedap organisation over the last year, an increase in total revenue had been expected. As a result of uncertain economic conditions in many parts of the world, however, almost all market groups - especially during the last couple of months – were confronted with more cautious markets than had been forecast. Orders were deferred, decisions postponed, and investment put on hold. This development also led to an increase in the size of the operating capital.

At the end of the period under review, a plot of land was purchased (almost 10,000 m² with offices and production units) bordering onto the existing Nedap facility in Groenlo. This acquisition will make it possible to realise future growth in Groenlo. Due to the continuing globalisation of operations, and the further strengthening of the development, marketing, and sales groups, the number of employees increased once more in the 1st half-year 2013. This number went up by 46 to 755 employees (731 FTEs). The operating profit finished at 7.4% (1st half-year 2012: 10.0%). Despite the investments and the increase in the operating capital already referred to, the solvency position (equity excluding undistributed profit and adjustment in line with IAS 19A, expressed as a percentage of total assets) remained virtually the same at 38.4% (year-end 2012: 38.1%). Including undistributed profit and the adjustment in line with IAS 19A, this percentage was 40.4%.

Our continued investment in innovation and sales has increased the distinctive capacity of the Nedap propositions in recent years, which has strengthened its positions in the various markets. This means the future is looked forward to with confidence, and healthy growth of the organisation is expected. The predictability of revenue and profit in the short to medium term has not, however, been helped by the uncertain and volatile economic conditions in a number of regions and sectors relevant for Nedap. The project-based character of a large part of revenue is also not conducive in this respect. For the 2nd half-year of 2013, at this point in time revenue is expected to reach the same level as in the same period in 2012. Concerning the profit for 2013 - in light of the many uncertainties – no forecast can be made yet.

Market Developments

The market group AVI (products for vehicle and driver identification and wireless parking systems) saw its revenue rise once more in the 1st half-year. Both the products for long distance vehicle and driver identification and for wireless parking detection made a contribution to this. The use of wireless parking detection systems in urban areas - as part of the Smart Cities concept - is growing in popularity. Systems have already been delivered and pilots are ongoing around the world.

The market group Energy Systems (autonomous energy systems), with its PowerRouter product (system for the independent and effective generation, storage and consumption of electricity), showed an excellent growth in revenue during the report period. The growth was, however, limited by uncertainties in various markets in relation to legislation surrounding 'self-use' and the storage of solar power. The preventative replacement program being carried out by the market group has also continued longer than expected.

Revenue of the market group Healthcare (automation of administrative duties of healthcare professionals to create more time for care) showed steady growth. Care organisations in the Netherlands (the market for the Healthcare market group) are currently being faced with government spending cuts and new forms of financing. At the same time, a shift is taking place from centrally administered to locally administered services, with an increase in informal care. All of these factors have created an increasing need for support using modern technology. More and more healthcare institutions are therefore making use of the services of this market group and this has solidified its market position. Despite the current difficult economic circumstances in the employment services sector, the Pep® suite (digital timesheet processing) also contributed to the growth in revenue of this market group.

The market group Library Solutions (RFID self-service systems for libraries) is no longer concentrating on implementing integrated library projects, acting as a systems integrator combining a mix of in-house components and third-party products. It is now concentrating on the development and supply of a cutting-edge product portfolio, which allows business partners - in an increasing number of countries - to carry out individual client-specific projects. The realignment of its market approach meant that the revenue of this market group, as expected, was lower than in the same period of 2012.

The revenue of the market group Light Controls (power electronics for lighting) was somewhat down compared to the same period in 2012, when a large project was carried out in America. The group felt the impact of a reluctance to invest in the market for professional lighting. The electronic drivers for UV lighting and explosion-proof products nonetheless showed impressive growth.

Revenue of the market group Livestock Management in both dairy farming and pig-breeding was down on the strong 1st half-year 2012. This market group (formerly Agri) focuses on automation of cattle farming processes that help livestock farmers optimise their business processes and improve the well-being of humans and animals. A major contributory factor in the flat revenue was the significant increase in the size of yields over last year, which led to some stockpiling in the logistical chains of a number of customers. Furthermore, the wave of investment in the pig-breeding sector following the introduction of new European regulations came to an end.
The higher operating costs for cattle farmers due to higher feed prices and the relatively long winter in the northern hemisphere - which slowed down the construction of new stalls – also contributed to the decline in revenue.

Despite the difficult conditions in the retail sector, the market group Retail (security, management and information systems for retail) saw its revenue grow further in a very competitive market. The market group is becoming increasingly successful in developing attractive propositions for specific market segments and winning leading retailers for them with RFID systems.

The revenue of the Security Management market group (access control, registration, payments, fire and intrusion alarms, surveillance, locker management, and biometrics systems) remained at more or less the same level as the same period in 2012. The decline in revenue in the Netherlands was more or less completely compensated for by higher revenue from other West-European countries.

Financial

Revenue over the 1st half-year 2013, at € 82.0 million, was 2% down on the same period in 2012 (€ 83.7 million). The added value (revenue plus or minus the movement in inventories minus cost of materials) at € 57.2 million - due to the composition of the assortment and an improved purchasing process - was even slightly higher (1st half-year 2012: € 56.5 million).

Expenditure on "Subcontracting and other external costs" was up by € 1.3 million, amongst other things due to higher production and development costs, and the higher costs associated with the strengthening of the sales activities. Expenditure on "Salaries and social security charges" was up by € 1.1 million due to the agreed salary increases and the increase in the number of employees. Substantially less was spent on severance payments this half-year than a year ago. Amortisation and depreciation went up by 13% to € 4.9 million, primarily due to higher revenue for products where the development costs had been capitalised. The amount that was capitalised for non-current assets manufactured in-house stayed more or less the same. On balance, an operating profit remained of € 6.0 million, as opposed to € 8.3 million in the same period in 2012. As a percentage of revenue, the operating profit amounted to 7.4%. Over the 1st half-year 2012, this percentage was 10.0%.

The financing expenses fell slightly as a result of valuation differences for interest rate hedging. The share in the profit of our associate Nedap France S.A.S. (Retail, Security Management, and Library systems) rose by almost € 0.1 million compared to the 1st half-year of 2012.

After deduction of corporation tax, a profit remained of € 5.1 million, as opposed to € 6.6 million for the same period in 2012. As a percentage of revenue, the profit amounted to 6.2%. Over the 1st half-year 2012, this percentage was 7.9%.

The lower tax liability for the 1st half-year 2013 of 17.2% and for the 1st half-year 2012 of 19.5% (the nominal corporate income tax rate in the Netherlands is 25%) was amongst other things due to the application of the Innovation box. The Innovation box makes it possible for businesses to pay a reduced tax rate on revenue from innovations.

The positive cash flow from operating activities in the 1st half-year was € 6.3 million. The temporary increase of the inventories of € 5.5 million was mainly caused by the cautious approach of the markets during recent months, which could no longer be sufficiently anticipated. € 7.6 million was spent on investing activities. This included the acquisition of a plot of land with structures adjoining the Nedap facility in Groenlo. € 10.1 million was paid out in dividends over 2012 in the period under review. Furthermore, repayments on loans were made of € 0.1 million, and € 0.2 million of own shares were sold to the Stichting Medewerkerparticipatie Nedap (Nedap Employee Participation Foundation). On balance, the liquidity position fell by € 11.3 million. An agreement was reached with the main bank to increase the current credit facility by € 5.0 million until 1 December 2013 under the existing conditions. The credit facilities at the banks as per 30 June 2013 totalled

€ 51.0 million; of this, € 46.4 million had been drawn. In addition, there was € 3.9 million of cash and cash equivalents. The average credit terms for trade receivables in the 1st half-year was 7.6 weeks (2012: 7.4) .

The solvency position (equity excluding undistributed profit and adjustment in line with IAS 19A expressed as a percentage of the total assets), at 38.4% - despite the investments and the increase in the operating capital - remained virtually the same as the percentage at year-end 2012 (38.1%). Including undistributed profit and the adjustment in line with IAS 19A, this percentage was 40.4%. The adjustment in line with IAS 19A was in connection with the discontinuation of the corridor method. Under this method, the recognition in the profit and loss account of actuarial gains and losses associated with a defined contribution pension scheme were deferred. IAS 19A requires actuarial gains and losses to be recognised directly in the equity. Due to this adjustment, the equity at 31 December 2012 was reduced by € 3.8 million. The impact on the profit and loss account for 2012 was negligible.

A description of the most important risks for Nedap is included in the Annual Report for 2012.

Groenlo, 1 August 2013

The Board of Management:

R.M. Wegman
G.J.M. Ezendam

Consolidated balance sheet (€ x 1,000)

		2013 half-year	2012 year-end
Assets			
Non-current assets			
Property, plant and equipment	48,316		45,836
Intangible assets	11,179		10,884
Investment in associate	2,574		2,425
Loans	294		341
Deferred tax assets	678		481
Employee benefits	314		227*
		63,355	60,194
Current assets			
Inventories	32,302		26,810
Income tax receivable	112		28
Trade and other receivables	34,799		36,013
Cash and cash equivalents	3,941		2,933
		71,154	65,784
		134,509	125,978
Equity and liabilities			
Equity			
Share capital	669		669
Statutory reserves	11,352		11,057
Reserves	37,277		33,923*
Undistributed profit attributable to shareholders	5,049		13,480
		54,347	59,129
Non-controlling interests	130		129
Undistributed profit attributable to non-controlling interests	1		25
		131	154
		54,478	59,283
Non-current liabilities			
Borrowings	16,496		16,609
Derivative financial instruments	273		335
Employee benefits	150		264
Deferred tax liabilities	3,838		4,198*
	20,757		21,406
Current liabilities			
Borrowings	232		268
Bank overdrafts	29,697		17,366
Employee benefits	423		540
Provisions	793		3,456
Income tax payable	1,447		444
Taxes and social security charges	3,427		2,984
Trade and other payables	23,255		20,231
	59,274		45,289
Total liabilities		80,031	66,695
		134,509	125,978

** adjusted in connection with change in accounting policy (IAS 19A).*

Consolidated income statement (€ x 1,000)

		2013 half-year		2012 half-year
Revenue		82,026		83,719
Cost of materials	29,057		27,896	
Movement in inventories of finished goods and work in progress	–/– 4,195		–/– 686	
Subcontracting and other external costs	22,871		21,603	
Salaries and social security charges	24,729		23,614	
Depreciation, amortisation	4,865		4,323	
Non-current assets manufactured in-house	–/– 1,350		–/– 1,371	
Total operating expenses		75,977		75,379
Operating profit		6,049		8,340
Financing income	46		74	
Financing expenses	–/– 365		–/– 383	
Value movements in derivative financial instruments	62		–/– 32	
Net financing expenses		–/– 257		–/– 341
Share of profit of associate (after taxes)		252		151
Profit before taxes		6,044		8,150
Taxes		994		1,561
Profit after taxes 1st half-year		5,050		6,589
Profit attributable to shareholders of Nedap N.V.		5,049		6,576
Profit attributable to non-controlling interests		1		13
Profit after taxes 1st half-year		5,050		6,589
Average number of shares in issue		6,692,920		6,692,920
Earnings per ordinary share (in €)		0.75		0.98
Diluted earnings per ordinary share (in €)		0.75		0.98

Consolidated statement of comprehensive income (€ x 1,000)

		2013 half-year	2012 half-year
Profit for the 1st half-year		5,050	6,589
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Revaluation of the defined benefit liability (asset)	–		–
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	–		–
Other comprehensive income for the period under review after taxes:		–	–
Total comprehensive income for the 1st half-year		5,050	6,589
Total comprehensive income attributable to			
Shareholders of Nedap N.V.		5,049	6,576
Non-controlling interests		1	13
Total comprehensive income for the 1st half-year		5,050	6,589

Consolidated cash flow statement (€ x 1,000)

		2013 half-year		2012 half-year
Cash flow from operating activities				
Profit for the 1st half-year		5,050		6,589
Adjustments for:				
Depreciation, amortisation	4,865		4,323	
Book profit on sale of property, plant and equipment	–/– 26		–/– 35	
Share of profit of associate	–/– 252		–/– 151	
Net financing expenses	257		341	
Income taxes	994		1,561	
		5,838		6,039
Movements in trade and other receivables	1,215		–/– 216	
Movements in inventories	–/– 5,492		–/– 172	
Movements in taxes and social security charges	443		385	
Movements in trade and other payables	3,145		1,262	
Movements in employee benefits	–/– 318		556	
Movements in provisions	–/– 2,663		–/– 69	
		–/– 3,670		1,746
Interest paid	–/– 349		–/– 532	
Interest received	45		55	
Income tax paid	–/– 632		416	
		–/– 936		–/– 61
		6,282		14,313
Cash flow from investing activities				
Acquisitions of property, plant and equipment	–/– 6,778		–/– 3,957	
Acquisitions of intangible assets	–/– 1,299		–/– 1,350	
Proceeds from sale of property, plant and equipment	326		117	
Dividend received from associate	103		570	
Borrowings repaid	47		-	
		–/– 7,601		–/– 4,620
Cash flow from financing activities				
Long-term borrowings repaid	–/– 149		–/– 157	
Dividend paid to non-controlling interests	–/– 24		–/– 1	
Dividend paid to shareholders of Nedap N.V.	–/– 10,106		–/– 8,232	
Net issue and repurchase of shares	275		104	
		–/– 10,004		–/– 8,286
Movements in cash and cash equivalents and banks		–/– 11,323		1,407
Cash and cash equivalents and banks at 1 January		–/– 14,433		–/– 18,844
Exchange gains and losses on cash and cash equivalents and banks		-		-
Cash and cash equivalents and banks at 30 June		–/– 25,756		–/– 17,437

Consolidated statement of changes in equity (€ x 1,000)

	share capital	statutory reserves	reserves	profit attributable to share-holders	equity attributable to share-holders	non-controlling interests	total equity
Balance at 1-1-2012*	669	10,029	37,109	10,979	58,786	130	58,916
Dividend				–/– 8,232	–/– 8,232	–/– 1	–/– 8,233
Appropriation of profit		654	2,093	–/– 2,747	–		–
Movement in shares			104		104		104
Profit for the 1st half-year				6,576	6,576	13	6,589
Other comprehensive income					-		-
Balance at 30-6-2012*	669	10,683	39,306	6,576	57,234	142	57,376
Balance at 1-1-2013*	669	11,057	33,923	13,480	59,129	154	59,283
Dividend				–/– 10,106	–/– 10,106	–/– 24	–/– 10,130
Appropriation of profit		295	3,079	–/– 3,374	–		–
Movement in shares			275		275		275
Profit for the 1st half-year				5,049	5,049	1	5,050
Other comprehensive income					-		-
Balance at 30-6-2013	669	11,352	37,277	5,049	54,347	131	54,478

At 30-6-2013, the company repurchased 23,216 (30-6-2012: 23,087) of its own shares for delivery to the Stichting Medewerkerparticipatie Nedap.

The statutory reserves were as follows:

	30-06-2013	30-06-2012
Capitalised development costs	**11,014**	10,303
Profit of subsidiaries not freely distributable	**444**	494
Exchange gains and losses	**–/– 106**	–/– 114
Total	**11,352**	10,683

** adjusted in connection with change in accounting policy (IAS 19A).*

Accounting policies

General
N.V. Nederlandsche Apparatenfabriek "Nedap" is registered in Groenlo, the Netherlands. The interim consolidated half-yearly 2013 report of the company comprises the company and its subsidiaries, who together form the Group, referred to below as Nedap.

Nedap is a manufacturer of intelligent technological solutions relating to socially relevant themes, including sufficient food, clean drinking water, sustainable energy, security and healthcare.

It concentrates on market segments where its technological know-how, market knowledge and knowledge of the customer's business process can create added value for the customer. These market segments are approached through the company's own sales channels as well as through third parties.

The 2012 consolidated financial statements of Nedap are available at request at info@nedap.com or per telephone +31 (0) 544 471111 or can be downloaded from our website www.nedap.com.

Statement of accordance
This consolidated interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. It does not contain all information that is required for full financial statements and has to be read in combination with the 2012 consolidated financial statements of Nedap.

This condensed consolidated interim report was drawn up by the Board of Management on August 1st 2013.

Relevant accounting policies
The accounting policies and calculation methods applied by Nedap in this consolidated interim report are equal to the policies and calculation methods applied by Nedap in the consolidated financial statements for 2012, with the exception of the adjustment in line with IAS 19A employee benefits. This amendment comprises the discontinuation of the corridor method. Under this method, the recognition in the profit and loss account of actuarial gains and losses associated with a defined contribution pension scheme were deferred. IAS 19A requires actuarial gains and losses to be recognised directly in the equity. Due to this adjustment, the equity at 1 January 2012 was increased by € 0.8 million and was reduced by € 3.8 million at 31 December 2012. The impact on the profit and loss account for 2012 was negligible.

Estimates
Interim reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expenses. The actual outcomes may differ from these estimates. In preparing this consolidated interim report, the relevant judgements, made by the management and used in applying the accounting policies of Nedap and the relevant sources of estimates used, are the same judgements and sources as in its consolidated financial statements 2012. Estimates relate primarily to tangible and intangible assets, employee benefits. other receivables and provisions

Financial risk management

The objectives and measurements of Nedap in the field of financial risk management correspond with the objectives and measurements as stated in the consolidated financial statements 2012.

Income taxes

Income taxes are determined as the product of the weighted average of the tax rate expected for the year under review and the interim profit before taxes.

Related parties transactions

Nedap's related parties are the associate Nedap France S.A.S., Stichting Preferente Aandelen Nedap, the members of the Supervisory Board and the Board of Management. With the associate normal business transactions take place against conditions similar to those applicable to transactions with third parties. There were no transactions with Stichting Preferente Aandelen Nedap. Only normal transactions took place with the members of the Supervisory Board and the Board of Management.

The figures in this interim report have not been audited by an external accountant.

This is a translation of the original Dutch interim report. In the event of any conflict of interpretation the Dutch text will prevail.

Statement

Statement pursuant to Section 5:25d of the Financial Supervision Act

To the best of our knowledge,

1. the half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Nedap N.V. and the undertakings included in the consolidation taken as a whole; and

2. the half-yearly report of the Board of Management includes a fair review of the information as required under Section 5:25d (8 and 9) of the Financial Supervision Act.

Groenlo, 1 August 2013

The Board of Management:

R.M. Wegman
G.J.M. Ezendam

Profile Nedap

Nedap is characterized by an open, innovative and creative company culture aimed at development and entrepreneurship.

Nedap's long-term policy is aimed at creating a durable added value for clients, employees and shareholders. The company plans on achieving this by means of an organic increase in revenue and profit, whereby diversification and innovation, based on the expertise available within Nedap, play a key role.

Nedap concentrates on the development and delivery of distinctive and durable

- solutions for computerization and management of operating processes, whereby recognition of persons, animals and goods as a rule play an important role and
- products whereby power and control electronics play an important role.

In order to continue operating in the manner which makes the company strong, and is based on autonomous growth, the financial standards applied by Nedap consist of an operating profit of at least 10% of revenue, a 15%-20% return on equity, and a solvency ratio of about 45%.

Nedap was founded in 1929 and has been listed on the NYSE Euronext since 1947.

20

NEDAP N.V. P.O. Box 6, NL-7140 AA Groenlo
T +31(0)544 471111, I www.nedap.com

technology that matters