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*Half-yearly  
report 2014*



*06 Half-yearly report 2014  
of the Board of Management*

*08 Half-yearly  
Financial Statements 2014*

*16 Statement*

*17 Profile Nedap*

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## *Contents*

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The revenue for the 1st half-year 2014, at € 87.2 million, was 6% up on the same period in 2013 (€ 82.0 million). The growth in revenue was achieved by the market groups Healthcare, Light Controls, Livestock Management, and Retail. The market group Security Management solidified its revenue; the revenue of the market groups Energy Systems, Identification Systems, and Library Solutions was down on the same period in 2013. Operating profit increased by 11% to € 6.7 million (1st half-year 2013: € 6.0 million) and the profit after taxes by 6% to € 5.4 million (1st half-year 2013: € 5.1 million). The solvency position\* went up from 36.6% to 41.1%. The earnings per share finished at € 0.80 (1st half-year 2013: € 0.75).

For the entire year of 2014, the board of directors likewise expects - notwithstanding unforeseen circumstances - a further increase in revenue (2013: € 173.7 million). Concerning the operating result for 2014 - in light of the many uncertainties and the relatively high added value of the revenue - no forecast can be made as of yet.

The market conditions remain challenging. Fundamental shifts are taking place in the markets where Nedap is active: growing transparency, convergence of local markets into a single global market, and the emergence of new technologies. The markets are becoming more turbulent and increasingly less 'forgiving'. This means the demands placed on propositions are constantly and drastically being pushed upwards, while at the same time the organisation has to quickly increase its level of globalisation and professionalism. Over the past years, Nedap has continued to invest in high-end propositions and the organisational structure. In doing so, it has consciously targeted the achievement of long-term growth, but also a sufficient diversification of its activities in order to be able to absorb any setbacks in specific markets. In the short term, the market groups are

still sensitive to the current uncertain and volatile economic conditions in a number of regions and sectors relevant for them. In practice, this has resulted in a greater pressure on prices and longer decision-making timelines for buyers, partly due to the difficulty in obtaining the necessary finance. Furthermore, the market group Energy Systems is very susceptible to changes in the - non-harmonised - government schemes and incentives in relation to self-generated energy.

The number of employees, after a strong increase in recent years, remained at the same level as the beginning of this year (754 employees). An agreement was reached with the trade unions about a new collective labour agreement (CAO) that will last until 31 March 2015. This included a salary increase of 1.75% on 1 April 2014, and - in light of the operating result for the first half-year - a one-off payment of 0.25% to be paid out in September.

*\*Solvency means the equity excluding distributable dividend and non-controlling interests, expressed as a percentage of total assets.*

#### **Market Developments**

After a good start, in recent months the revenue of the market group Energy Systems (autonomous energy systems) was considerably down on last year and below expectations. The solar energy market in the most important sales country of Germany has been confronted by new government measures (lower electricity input prices and a tax on consumption of self-generated electricity), as a result of which consumers have been much more reluctant to invest. The market group had done a lot of work in Germany in particular over the past year on building up an extensive network of hundreds of installation providers, who have been trained in the sale and installation of the PowerRouter (system for the independent and effective generation, storage and consumption of electricity). In addition to

Germany, the market group is active in other West-European countries, such as Belgium, England, France, and Italy. The lack of a consistent policy at both national and European level has created uncertainty amongst consumers and has had a negative effect on the willingness to buy in these countries as well.

The market group Healthcare (automation of administrative duties of healthcare professionals to create more time for care) saw its revenue continue to grow steadily in the 1st half-year. With its ONS product, it supports healthcare institutions in their operational management. Substantial investment has taken place in the market group with the addition of new applications and the improvement of existing applications, but also in order to facilitate growth and expansion in new markets as well. The slight improvement in the economic conditions within the employment services sector has meant the Pep@ suite (digital timesheet processing) is also contributing to the growth in revenue within the Healthcare market group.

After several years of robust growth, the revenue of the market group Identification Systems (products for vehicle and driver identification and wireless parking systems) in the first half-year of 2014 was down on the previous year. On the one hand, the market group has seen an increase in concrete market interest, but on the other hand decision-making processes are being extended and even projects that have already been ordered are being put on hold. The uncertain economic situation in its market segments has played a role in this development, but the difficulty in obtaining project financing experienced by our customers is often an important reason for deferral in this area as well.

The strategic transformation from a project organisation to a technology provider meant the revenue of the market group Library Solutions

(RFID self-service systems for libraries) declined further in 2014. As a result of the changes to the organisation, however, profitability went up. Thanks to the significant streamlining of the business model and the balanced product portfolio, the market group is now in a position to expand its commercial activities more quickly and in more countries at the same time.

The market group Light Controls (power electronics and control systems for the lighting industry) achieved an excellent growth in revenue in the 1st half-year. In addition to an increase in revenue for UV purification and UV curing products, there was also a sizeable growth for the Luxon proposition (lighting management). With Luxon, businesses are able to deploy their lighting systems more flexibly, improve the quality of lighting, and at the same time make considerable savings in energy costs. Major investment has been put into this proposition in recent years.

The revenue of the market group Livestock Management increased substantially in the first half of 2014 compared with the same period in 2013. The market group supplies automation of livestock management processes based on individual animal identification, which help livestock farmers to optimise their business processes and improve the well-being of humans and animals. Both the dairy farming segment and the pig farming segment contributed to the increase in revenue. Livestock farmers are currently being encouraged to invest by the good prices in the dairy farming sector, the abolition of the milk quota in Europe, and the demand for electronic systems for breeding management and the monitoring of animal welfare.

Despite the very competitive market, the revenue of the market group Retail (security, management and information systems for retail) increased steadily. Thanks to the investments of recent years

in the propositions and a stronger organisation, Nedap Retail is becoming an important partner in retail technology for rapidly-expanding, international retailers. In 2014, once more several renowned retailers switched to the systems of the Nedap market group.

The Security Management market group (systems for access control, registration, payments, fire and intrusion alarms, surveillance, locker management, and biometrics) continued to suffer the downside of the stagnation in investment in the construction industry. Its revenue, however, remained at the same level as in the previous year. There is a lot of interest in the Global Client Program of the market group. This means international clients can be supported in the worldwide implementation of a single standard security management system. These types of large projects, however, have a long lead time before the actual delivery takes place.

#### Financial

The revenue over the 1st half-year 2014, at € 87.2 million, was 6% up on the same period in 2013 (€ 82.0 million). The added value (income plus or less movements in inventories, less cost of materials) went up by almost 8% to € 61.5 million (1st half-year 2013: € 57.2 million). Expressed as a percentage of revenue, the added value went up from 69.7% to 70.5%.

Expenditure on "Subcontracting and other external costs" was up by € 1.4 million, amongst other things due to higher production and the higher costs associated with the strengthening of the organisation. Expenditure on "Salaries and social security charges" was up by € 1.3 million due to the agreed salary increases and the increase in the number of employees. In the 1st half-year 2014, there were on average 17 more employees (FTEs) than during the same period in 2013. Amortisation and depreciation went up by € 0.4 million to

€ 5.2 million, primarily due to higher revenue for products where the development costs had been capitalised in the past. In the 1st half-year 2014, the capitalisation of assets manufactured in-house was € 0.6 million lower than during the 1st half-year 2013. On balance, an operating profit remained of

€ 6.7 million, as opposed to € 6.0 million in the same period in 2013. As a percentage of revenue, the operating profit amounted to 7.7%. Over the 1st half-year 2013, this percentage was 7.4%.

The net financing expenses rose slightly as a result of valuation differences for interest rate hedging. The share of profit of our associate Nedap France S.A.S. (sale of retail management, security management, and library management systems) fell due to the fluctuating market conditions in France by € 0.1 million compared with the 1st half-year of 2013.

After deduction of corporation tax, a profit remained of € 5.4 million, as opposed to € 5.1 million for the same period in 2013. As a percentage of revenue, the profit amounted to 6.1%. Over the 1st half-year 2013, this percentage was 6.2%. The lower tax liability of 18.3% for the 1st half-year 2014 and 17.2% in the 1st half-year 2013 (the 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 2014 was € 12.0 million. € 3.7 million was spent on investment activities and € 7.4 million was paid out in dividends over 2013. 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). The credit facilities at the banks as per 30 June 2014 totalled € 45.7 million; of this € 35.8 million had been drawn. In addition, there was € 3.3 million in cash and cash equivalents. On balance, the liquidity position rose by € 1.0 million. The average credit term for trade receivables in the 1st half-year was 7.6 weeks (2013: 7.9).

The minimal movement in the non-current assets (fall of € 1.3 million) and the current assets (rise of € 1.1 million) meant the balance sheet total remained more or less the same. The solvency position (equity excluding the distributable dividend and non-controlling interest divided by the balance sheet total) went up, due to the addition of the profit over the 1st half-year 2014, from 36.6% to 41.1%. Excluding the adjusted regulation IAS 19 (IFRS regulations on pension liabilities and claims), applied for the first time to the Financial Statements 2013, these percentages amounted to 41.0% and 45.2% respectively.

The discount rate applied as per the end of the period under review for the calculation of the pension liabilities and for the expected yield on pension assets was 3.2% (year-end 2013: 3.6%). The other starting points remained the same.

A description of the most important risks for Nedap is included in the Annual Report for 2013.

Groenlo, 31 July 2014

The Board of Management:

R.M. Wegman

G.J.M. Ezendam

# Half-yearly Financial Statements 2014

## Consolidated balance sheet (€ x 1,000)

		2014 half-year	2013 year-end
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	47,426		48,001
Intangible assets	9,983		10,530
Investment in associate	2,977		2,961
Loans	209		251
Deferred tax assets	751		871
		61,346	62,614
<b>Current assets</b>			
Inventories	27,468		25,811
Income tax receivable	123		4
Trade and other receivables	33,750		34,267
Cash and cash equivalents	3,289		3,486
		64,630	63,568
		125,976	126,182
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	669		669
Statutory reserves	10,154		10,701
Reserves	35,523		32,407
	46,346		43,777
Undistributed profit attributable to shareholders	5,377		9,792
		51,723	53,569
Non-controlling interests	145		130
Undistributed profit attributable to non-controlling interests	-/- 19		15
		126	145
		51,849	53,714
<b>Non-current liabilities</b>			
Borrowings	16,264		16,391
Derivative financial instruments	251		246
Employee benefits	6,914		6,805
Deferred tax liabilities	1,619		2,212
	25,048		25,654
<b>Current liabilities</b>			
Borrowings	226		217
Bank overdrafts	19,319		20,531
Employee benefits	2,034		285
Provisions	780		738
Income tax payable	1,101		1,552
Taxes and social security charges	4,069		2,757
Trade and other payables	21,550		20,734
	49,079		46,814
<b>Total liabilities</b>		<b>74,127</b>	<b>72,468</b>
		<b>125,976</b>	<b>126,182</b>

Consolidated income statement (€ x 1,000)

		2014 half-year	2013 half-year
<b>Revenue</b>		87,224	82,026
Cost of materials	28,011		29,057
Movement in inventories of finished goods and work in progress	-/- 2,264		-/- 4,195
Subcontracting and other external costs	24,240		22,871
Salaries and social security charges	25,991		24,729
Depreciation, amortisation and impairment	5,243		4,865
Non-current assets manufactured in-house	-/- 726		-/- 1,350
<b>Total operating expenses</b>		80,495	75,977
<b>Operating profit</b>		6,729	6,049
Financing income	20		46
Financing expenses	-/- 365		-/- 365
Value movements in derivative financial instruments	-/- 6		62
<b>Net financing expenses</b>		-/- 351	-/- 257
Share of profit of associate (after taxes)		144	252
<b>Profit before taxes</b>		6,522	6,044
Taxes		1,164	994
<b>Profit after taxes 1st half-year</b>		5,358	5,050
Profit attributable to shareholders of Nedap N.V.		5,377	5,049
Profit attributable to non-controlling interests		-/- 19	1
<b>Profit after taxes 1st half-year</b>		5,358	5,050
Average number of shares in issue		6,692,920	6,692,920
Earnings per ordinary share (in €)		0,80	0,75
Diluted earnings per ordinary share (in €)		0,80	0,75

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

	2014 half-year		2013 half-year
Profit for the 1st half-year	5,358		5,050
<b>Other comprehensive income</b>			
Items that may not be reclassified to profit or loss			
Revaluation of defined-benefit pension obligation	-/-	81	-
Items that may be reclassified to profit or loss on subsequent recognition			
Exchange gains and losses	-		-
<b>Other comprehensive income for the period after tax</b>	-/-	81	-
<b>Total comprehensive income for the 1st period</b>	5,277		5,050
Profit attributable to shareholders of Nedap N.V.	5,296		5,049
Profit attributable to non-controlling interests	-/-	19	1
<b>Total comprehensive income</b>	5,277		5,050

Consolidated cash flow statement (€ x 1,000)

		2014 half-year	2013 half-year
<b>Cash flow from operating activities</b>			
Profit after taxes		5,358	5,050
Adjustments for:			
Depreciation, amortisation and impairment	5,243		4,865
Book profit on sale of property, plant and equipment	-/- 32		-/- 26
Share of profit of associate	-/- 144		-/- 252
Net financing expenses	351		257
Income taxes	1,164		994
		6,582	5,838
Movements in trade and other receivables	503		1,215
Movements in inventories	-/- 1,657		-/- 5,492
Movements in taxes and social security charges	1,312		443
Movements in trade and other payables	581		3,145
Movements in employee benefits	1,749		-/- 318
Movements in provisions	42		-/- 2,663
		2,530	-/- 3,670
Interest paid	-/- 367		-/- 349
Interest received	34		45
Income tax paid	-/- 2,179		-/- 632
		-/- 2,512	-/- 936
		11,958	6,282
<b>Cash flow from investing activities</b>			
Acquisitions of property, plant and equipment	-/- 3,484		-/- 6,778
Acquisitions of intangible assets	-/- 546		-/- 1,299
Proceeds from sale of property, plant and equipment	177		326
Dividend received from associate	128		103
		-/- 3,725	-/- 7,648
<b>Cash flow from financing activities</b>			
Long-term borrowings drawn	-/- 118		-/- 149
Long-term borrowings repaid	42		47
Dividend paid to non-controlling interests	-		-/- 24
Dividend paid to shareholders of Nedap N.V.	-/- 7,362		-/- 10,106
Net issue and repurchase of shares	220		275
		-/- 7,218	-/- 9,957
<b>Movements in cash and cash equivalents and banks</b>		1,015	-/- 11,323
Cash and cash equivalents and banks at 1 January		-/- 17,045	-/- 14,433
Exchange gains and losses on cash and cash equivalents and banks			-
Cash and cash equivalents and banks at 30 June		-/- 16,030	-/- 25,756

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

	share capital	statutory reserves	reserves	profit attributable to shareholders	equity attributable to shareholders	non-controlling interests	total equity
Balance at 1 Jan. 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
<b>Profit for the 1st half-year</b>				5,049	5,049	1	5,050
Balance at 30 June 2013	669	11,352	37,277	5,049	54,347	131	54,478
Balance at 1 Jan. 2014	669	10,701	32,407	9,792	53,569	145	53,714
Dividend				-/- 7,362	-/- 7,362	-	-/- 7,362
Appropriation of profit		-/- 547	2,977	-/- 2,430	-		-
Movement in shares			220		220		220
Movement in pension obligation			-/- 81		-/- 81	-/-	-/- 81
<b>Profit for the 1st half-year</b>				5,377	5,377	-/- 19	5,358
Balance at 30 June 2014	669	10,154	35,523	5,377	51,723	126	51,849

At 30 June 2014, the company repurchased 17,197 (30 June 2013: 23,216) treasury shares that have yet to be transferred to employees under the employee participation plan.

The statutory reserves were as follows:

	30-6-2014	30-6-2013
Capitalised development costs	9,669	11,014
Profit of subsidiaries not freely distributable	593	444
Exchange gains and losses	-/- 108	-/- 106
<b>Total</b>	<b>10,154</b>	<b>11,352</b>

## **Accounting policies**

### *General*

N.V. Nederlandsche Apparatenfabriek "Nedap" is registered in Groenlo, the Netherlands. The interim consolidated half-yearly 2014 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 2013 consolidated financial statements of Nedap are available at request at [info@nedap.com](mailto:info@nedap.com) or per telephone +31 (0) 544 471111 or can be downloaded from our website [www.nedap.com](http://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 2013 consolidated financial statements of Nedap.

This condensed consolidated interim report was drawn up by the Board of Management on July 31st 2014.

### *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 2013. The discount rate applied as per the end of the period under review for the calculation of the pension liabilities and for the expected yield on pension assets was 3.2% (year-end 2013: 3.6%).

### *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 2013. 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 2013.

### *Income taxes*

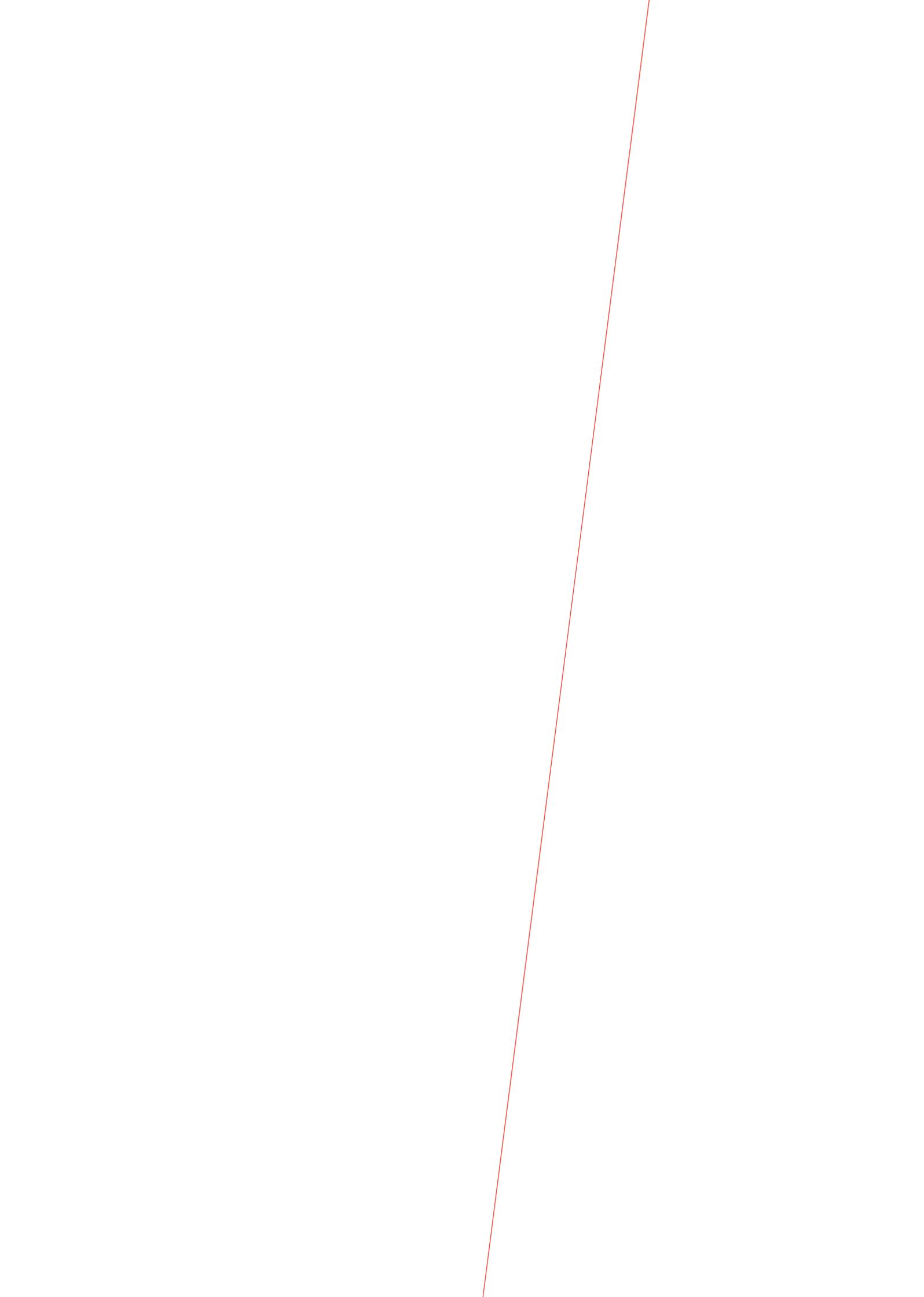
Income taxes are determined as the product of the weighted average of the tax rate expected for the year under review and the interim profit before taxes.

*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, 31 July 2014

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, | [www.nedap.com](http://www.nedap.com)