

Nedap continues to invest despite difficult economic conditions

Revenue in 2014 up on 2013, profit down

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The revenue of N.V. Nederlandsche Apparatenfabriek "Nedap" over 2014 is expected – notwithstanding unforeseen circumstances – to grow by several percent compared to 2013 (€ 173.7 million). The market groups Healthcare, Light Controls, Livestock Management, Security Management, and Retail will once more show a further growth in revenue in 2014, while the revenue of the market groups Energy Systems, Identification Systems, and Library Solutions will be down on 2013.

In some of the markets that are important to Nedap the uncertain economic outlook has led to the deferral of purchasing decisions and delays in projects that have already been confirmed. The growth in revenue for the whole of 2014 has been tempered by this trend. Despite the current slowdown in growth, investment has continued at a high level in propositions and commercial capabilities to be able to profit from the new opportunities that are emerging in the various markets. Notwithstanding unforeseen circumstances the profit for 2014 is expected to be about 10% down on 2013 (profit 2013:€9.8 million).

The market group Energy Systems in particular was confronted with a significant change in economic conditions during the current year. The lack of a consistent policy at both national and European level has created uncertainty amongst consumers and business partners. This consequently led to a sharp drop in the sales of the PowerRouter. This decline in sales in turn led to production overcapacity at Nedap. Due to the persistent unpredictability of national and international government policy, the expectation is that the sales market for the distributed storage of energy will not improve in the short to medium term. A number of different strategic options are therefore currently being considered for the future of the PowerRouter.

The investment in non-current assets, particularly intangible assets, in 2014 will be lower than the level of 2013, and lower than the amount of amortisation and depreciation. Investments in intangible assets will be capitalised reluctantly, since at this time it is difficult to determine when this investment will lead to additional growth in revenue. Including undistributed profit, the solvency position at the end of October 2014 was more than 43%. The number of employees will go up on balance in 2014 by around 20 (year-end 2013: 744 employees).

The revenue of the market group **Healthcare** (automation of administrative duties of healthcare professionals to create more time for care) has risen strongly in 2014 up until now. The healthcare market is undergoing a radical transformation. This means that the supporting administrative systems will also have to be continually modified to meet the requirements of the new laws and regulations, and in turn this will necessitate considerable investment in software development. A growing number of competitors are dropping out of this market, and this offers the Healthcare market group an excellent opportunity to further expand its market leadership. Nonetheless, cuts in government spending will reduce the healthcare budgets of existing clients. The use of Nedap software services will decline as a result, which will have a moderating effect on the growth in revenue. The PEP® suite (digital timesheet processing mainly for employment agencies) will also contribute to the growth of the market group revenue in 2014.

After the steady growth of recent years, the market group **Identification Systems** (products for vehicle and driver identification and wireless parking systems, formerly AVI) will see a drop in revenue in 2014. Although the expansion of the product portfolio for long-distance identification devices has been received well, in light of the current climate there is a reluctance amongst customers to invest, and the order confirmation process is being protracted. The SENSIT® proposition has made a good impression on the market, although the rate of growth is dependent to a large extent on the willingness to invest of government bodies and other clients.

The market group **Energy Systems** (renewable energy systems), with its PowerRouter product (system for the independent and effective generation, storage and consumption of electricity) will see its revenue drop sharply compared to 2013. The market for distributed energy storage has been confronted with the inconsistent and unpredictable nature of government policy, as a result of which it is unclear whether investment in renewable energy sources will yield a sufficient rate of return. This unpredictability has led to a sharp decline in the willingness to invest in sustainable technology, such as the PowerRouter.

In 2014, the market group **Library Solutions** (RFID self-service systems for libraries) was still undergoing its transition from a systems integrator to a developer and supplier of a high-end product portfolio for business partners. As expected, this will lead to a drop in revenue in 2014. The clear positioning as a technology provider, with technological building blocks for the next generation of libraries, has been well received and has opened up new commercial opportunities around the world.

The revenue of the market group **Light Controls** (power electronics and control systems for the lighting industry) are expected to finish at a higher level than in 2013, partly due to the growth in the sales of the Luxon® product line. The market group is well-positioned with Luxon and its software solution for lighting management. Projects have been successfully completed in a growing number of countries, which have also delivered considerable savings on energy costs of clients. The growth in revenue of the market group has been tempered by the sharp drop-off in sales of conventional QL lighting products.

The market group **Livestock Management** (automation of livestock management processes based on individual animal identification, which help livestock farmers to optimise their business processes and to improve the well-being of humans and animals) is having a good year. The revenue in 2014 was markedly up on 2013, although not quite as high as the record level of 2012. In the second half of 2014, the order intake of a number of clients was somewhat down because they were consciously trying to reduce their stock positions. The expectation is that this situation will only be temporary, although any growth in revenue will depend on the development in prices for milk and animal feed. Recently introduced products have been positively received. For example, the standing, lying and eating monitoring with the new generation 'Smart tag' enables animal health issues to be identified at a very early stage. In the pig farming segment, the product assortment was expanded with the addition of farrowing feeding, which has increased the role of Nedap for pig farmers.

The year 2014 has provided the market group **Retail** (security, management and information systems for retail) with confirmation that its propositions are growing in popularity. Leading clients around the world are increasingly opting for flexible and hybrid RF/RFID systems, which have a proven track record of increasing margins for retailers. The market group saw its revenue grow to an all-time high in 2014. The focus of the market group in the coming period will be upscaling to become a global, integrated organisation that is the leading preferred supplier of international retailers.

The **Security Management** market group (systems for access control, registration, payment, fire and intrusion alarms, surveillance, locker management, and biometrics) has managed to increase its revenue levels in 2014, despite the persistent sluggish situation in the construction and installation market. The AEOS Blue product line was successfully launched in the second half of the year. AEOS Blue makes it easier and more attractive for business partners to switch from their existing supplier to Nedap AEOS.

The expectations outlined above for 2014 are based on the facts known at the time of writing of this press release. Due to the project-based character of a large part of the revenue and the uncertain economic circumstances, however, considerable changes may still occur in the final weeks of this year.

The annual figures 2014 will be published on 12 February 2015 after trading hours.

Nedap is a manufacturer of intelligent technology solutions for today's challenges. Enough food for a growing population, clean drinking water around the entire world, and smart networks for sustainable energy are just some of the goals Nedap is working towards. It has a continual focus on technology that matters.

The N.V. Nederlandsche Apparatenfabriek "Nedap" was founded in 1929, it has been listed on the stock exchange since 1947, and employs more than 760 staff worldwide.



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